

CORPORATE REVENUE BUDGET MONITORING REPORT 2018/19 MONTH 9

**(year to 31st December 2018)
Version 1.0**

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1. Executive Summary

1.1 The City Council (BCC) set its net revenue budget of £855.2m on 27th February 2018. Included in this budget was an assumed use of £30.5m of reserves to support budgetary pressures and

- A savings¹ programme totalling £52.9m in 2018/19, growing to £117.0m in 2021/22.
- Deferred savings from 2017/18 of £15.7m (including where they were met on a one-off basis).

Total savings to be met in 2018/19 are therefore £68.6m.

1.2 At Month 9 (end of December 2018), a General Fund revenue overspend of £2.0m is forecast. This is made up of a forecast £6.3m underspend on the base budget and £9.7m of savings not deliverable in 2018/19, offset by partially accelerated achievement of £1.4m of the efficiency target of £5.7m.

1.3 The total forecast overspend of £2.0m is across the following Directorates :

- Children and Young People (£2.5m),
- Place Directorate (£7.6m),
- Economy (£0.4m),
- Corporate net overspends (£0.4m)
 - comprising the following overspends:
 - the Council's interests in associated companies (£3.6m)
 - savings forecast not to be delivered (£1.9m),
 - offset by the following savings
 - compensatory grant related to Business Rates (£2.2m),
 - a reduction in contribution to Business Rates Reserve required (£2.4m)
 - an improvement in dividend income forecast (£0.5m).

These are offset by underspends for Adult Social Care & Health (£5.2m), Strategic Services (£1.7m), Finance & Governance (£1.6m), and Human Resources (£0.3m). The Chief Executive's Directorate forecast a balanced position.

1.4 There is a reduction of £10.9m in the overall forecast overspend since Month 6. This relates largely to reductions in pressures for Adult Social Care & Health

¹ Savings refer both to cost reductions or additional income generated

(£4.7m), Strategic Services (£2.3m), Finance & Governance (£0.3m), Economy (£0.6m), Children & Young People (£0.8m), Place (£0.2m), and Corporate savings (£2.0m).

- 1.5 There is also a forecast overspend of £5.1m related to the Dedicated Schools Grant (DSG). At Month 6, this was estimated at £3.5m, as referred to in Section 5.10 of that report.
- 1.6 For 2018/19, the Council has adopted a financial framework that emphasises Cabinet Member/Chief Officer accountability for the delivery of their services within the resources allocated with no recourse to reserves and Directorates are expected to identify further strategic mitigations to recover the budget position.
- 1.7 This principle is being rigorously applied by the Cabinet Member for Finance and Resources and the Section 151 officer through a series of 'star chambers' aimed at ensuring that the forecast is brought back within budget.
- 1.8 Forecasts for individual Directorates, together with an explanation of the variances and proposed mitigations are shown in Annex 1.
- 1.9 In line with the Council Plan and Budget 2018+ agreed in February 2018, the Council was planning for the strategic use of £30.5m of Corporate Reserves in 2018/19, as shown in Table 1 below.
- 1.10 There has been a £4.0m reduction in the planned strategic use of Reserves to balance the budget

Table 1 Planned Use of Corporate Reserves

	Original Planned (Use) £m	Current Forecast (Use) £m	Variance £m
Use of Organisational Transition Reserve	(3.9)	(3.9)	0.0
Use of Financial Resilience Reserve	(11.6)	(11.6)	0.0
Use of one off resources from previous years	(13.2)	(9.2)	4.0
Other Corporate Reserves	(1.8)	(1.8)	0.0
Total	(30.5)	(26.5)	4.0

- 1.11 In addition, there are both planned uses of and contributions to Other Reserves. A net contribution of £1.9m to Other Reserves was assumed as part of setting the budget. This is now forecast to be a net contribution of £9.5m.
- 1.12 This is a £7.6m net decrease in the forecast use of Other Reserves. Further details of the use of Other Reserves are provided in Annex 5. Cabinet are requested to approve a number of uses of Earmarked Reserves as detailed in Annex 5.

- 1.13 Further analysis of the Base Budget position is shown in Annexes 1 and 2 and analysis of the Savings Programme is provided in Annexes 1 and 4.
- 1.14 Section 2 of this report details the summary position on the Savings Programme.
- 1.15 Section 3 of this report details Resource Allocations requested to be approved.
- 1.16 Section 4 of this report details the latest Collection Fund position.

Appendix A

Section 1

Table 2 - Summary forecast position of base budget and risks relating to savings programme

Directorate	Current Budget £m	Base Budget Overspend/(Underspend)			Savings not Deliverable			Efficiency Target			Total Forecast Overspend/(Underspend)		
		as at Month 9 £m	Month 6 £m	Movement £m	as at Month 9 £m	Month 6 £m	Movement £m	as at Month 9 £m	Month 6 £m	Movement £m	as at Month 9 £m	Month 6 £m	Movement £m
Adult Social Care & Health Directorate	336.068	(5.205)	(0.472)	(4.733)	0.000	0.000	0.000	0.000	0.000	0.000	(5.205)	(0.472)	(4.733)
Children & Young People Directorate	236.442	1.235	1.673	(0.438)	1.300	1.642	(0.342)	0.000	0.000	0.000	2.535	3.315	(0.780)
Place Directorate	136.514	4.908	4.838	0.070	2.710	2.940	(0.230)	0.000	0.000	0.000	7.618	7.778	(0.160)
Economy Directorate	97.073	(2.653)	(1.903)	(0.750)	3.792	3.642	0.150	(0.739)	(0.739)	0.000	0.400	1.000	(0.600)
Strategic Services Directorate	27.537	(1.463)	0.890	(2.353)	0.000	0.000	0.000	(0.276)	(0.276)	0.000	(1.739)	0.614	(2.353)
Human Resources	6.482	(0.253)	(0.253)	0.000	0.000	0.000	0.000	(0.078)	(0.078)	0.000	(0.331)	(0.331)	0.000
Finance & Governance Directorate	30.358	(1.356)	(1.014)	(0.342)	0.000	0.000	0.000	(0.244)	(0.244)	0.000	(1.600)	(1.258)	(0.342)
Chief Executive & Assistant Chief Executive	2.919	0.000	0.000	0.000	0.000	0.000	0.000	(0.025)	(0.025)	0.000	(0.025)	(0.025)	0.000
Sub-total Directorates Position	873.392	(4.787)	3.759	(8.546)	7.802	8.224	(0.422)	(1.362)	(1.362)	0.000	1.653	10.621	(8.968)
Policy Contingency	4.945	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Corporate Savings		0.000	0.000	0.000	1.858	1.509	0.349	0.000	0.000	0.000	1.858	1.509	0.349
Other Corporate Items	(23.148)	(1.503)	0.801	(2.304)	0.000	0.000	0.000	0.000	0.000	0.000	(1.503)	0.801	(2.304)
Sub-total Corporate Position	(18.203)	(1.503)	0.801	(2.304)	1.858	1.509	0.349	0.000	0.000	0.000	0.355	2.310	(1.955)
City Council General Fund	855.189	(6.290)	4.560	(10.850)	9.660	9.733	(0.073)	(1.362)	(1.362)	0.000	2.008	12.931	(10.923)
Housing Revenue Account (HRA)	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
City Council	855.189	(6.290)	4.560	(10.850)	9.660	9.733	(0.073)	(1.362)	(1.362)	0.000	2.008	12.931	(10.923)

2. Corporate Summary of the Savings Programme

- 2.1 The Month 9 analysis of the current Savings Programme 2018/19 shows that Corporate Directors consider that £59.0m (85.9%) of the savings forecast will be delivered in 2018/19 and £129.4m (94.5%) is still considered to be deliverable by 2021/22.
- 2.2 At this stage, £9.7m (14.1%) is forecast as not fully achievable in 2018/19 and alternative mitigations will need to be found. The overall Directorate position at Month 9 is summarised in Tables 3 and 4.

Table 3 – Analysis of Savings Programme for 2018/19

Directorate	On Track £m	One Off Mitigations £m	At Risk £m	Non-Delivery £m	Total £m
Adult Social Care & Health Directorate	13.367	1.690	0.000	0.000	15.057
Children & Young People Directorate	6.415	0.000	0.270	1.300	7.985
Place Directorate	9.758	0.469	0.000	2.710	12.937
Economy Directorate	5.219	0.715	0.403	3.792	10.129
Strategic Services Directorate	10.233	5.345	0.400	0.000	15.978
Human Resources	(0.155)	0.204	0.000	0.000	0.049
Finance & Governance Directorate	4.437	0.025	0.000	0.000	4.462
Chief Executive & Asst Chief Exec Dir.	0.037	0.000	0.000	0.000	0.037
Total Directorates	49.311	8.448	1.073	7.802	66.634
Corporate Savings	0.132	0.000	0.000	1.858	1.990
Grand Total	49.443	8.448	1.073	9.660	68.624

NB – Total savings figure includes savings delivered on a one-off basis in previous years. See paragraph 1.1.

Table 4 – Analysis of Savings Forecast Not Fully Achieved for 2018/19 – 2021/22

Directorate	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Adult Social Care & Health Directorate	0.000	0.000	0.000	0.000
Children & Young People Directorate	1.300	1.754	1.974	1.974
Place Directorate	2.710	2.500	2.500	2.500
Economy Directorate	3.792	3.438	2.665	1.828
Strategic Services Directorate	0.000	1.000	1.000	1.000
Human Resources	0.000	0.000	0.000	0.000
Finance & Governance Directorate	0.000	0.000	0.000	0.000
Chief Executive & Asst Chief Exec Dir.	0.000	0.000	0.000	0.000
Total Directorates	7.802	8.692	8.139	7.302
Corporate Savings	1.858	0.206	0.271	0.271
Grand Total	9.660	8.898	8.410	7.573

- 2.3 The summary is based on a detailed review of each individual saving. An overview of forecast savings not fully achieved on an ongoing basis by project for each Directorate is shown at Annex 4.

- 2.4 There are £0.6m of cross cutting savings related to the planned review of senior structures that may not be fully achieved in 2018/19. **(Month 6 0.3m)**
- 2.5 There are also £1.1m of cross cutting savings related to Commercialism that are not anticipated to be achieved, and £0.2m of Workforce savings **(Month 6 £0.1m)** that were previously assumed to related to Children & Young People, but are not achievable as they relate to staff charged to the Dedicated Schools Grant (DSG)
- 2.6 £5.7m of the Financial Resilience Reserve (FRR) was identified as part of the budget pending the identification of detailed savings plans across all Directorates. To date, £1.4m has been identified and work is ongoing to identify the remaining £4.3m.

The current forecast position on delivering the efficiency target is summarised in Table 5 below:

Table 5- Summary of Efficiency Targets

Directorates	Budget		Forecast Achievability in 2018/19	Forecast Achievability in 2019/20
	2018/19 £m	2019/20 £m	Delivery £m	Delivery £m
Adult Social Care & Health Directorate	0.000	(2.391)	0.000	(2.391)
Children & Young People Directorate	0.000	(0.664)	0.000	(0.664)
Place Directorate	0.000	(1.248)	0.000	(1.248)
Economy Directorate	0.000	(0.739)	(0.739)	(0.739)
Strategic Services Directorate	0.000	(0.276)	(0.276)	(0.276)
Human Resources	0.000	(0.078)	(0.078)	(0.078)
Finance & Governance Directorate	0.000	(0.244)	(0.250)	(0.244)
Chief Executive & Assistant Chief Executive	0.000	(0.025)	(0.025)	(0.025)
Total	0.000	(5.665)	(1.368)	(5.665)

3. Resource Allocations

3.1 General Policy Contingency

General Policy Contingency for the year is £3.0m. The use of £1.2m has already been approved leaving a balance of £1.8m before the proposed use mentioned below.

It is proposed to utilise £1.5m of funds from General Policy Contingency to rebase the budget for Waste Management Services for 2018/19. This would leave a balance of £0.3m in General Policy Contingency.

3.2 Specific Policy Contingency

The Council Plan and Budget 2018+ approved by Council on 27th February 2018 reflected £8.4m for Specific Policy contingency in 2018/19. A breakdown by each specific contingency is reflected in Annex 3. It should be noted that the Directorate forecasts have already assumed the allocation of Specific Policy Contingency in year.

As part of the Council's simplification of processes, the Cabinet meeting of 31st July 2018, approved that the Section 151 Officer be given delegated authority for the verification and allocation of Specific Policy contingency to fund expenditure which is in line with the approval given as part of the Council Plan and Budget 2018+.

There have been no further releases of Specific Policy Contingency since Month 6.

3.3 Winter Funding Grant

On 2nd October 2018, The Secretary of State for Health and Social Care announced £240m of extra funding in 2018/19 for councils "to spend on adult social care service to help councils alleviate winter pressures on the NHS, getting patients home quicker and freeing up hospital beds across England". The Secretary of State informed Councils on 17th October 2018 of their allocations. The allocation for the City Council is £5.6m. The Secretary of State's letter stated that the money should be additional to current budgeted expenditure on adult social care. The Council is required to discuss its plans with health partners. The Council will be required to confirm that all the grant will be spent on providing adult social services, in addition to funding already planned: and that it has discussed this with local NHS partners, including local acute hospital trusts.

It is proposed that the funding be held as a Specific Policy Contingency until plans for how this is to be spent are developed.

3.4 New funding to support children with special educational needs and disabilities (SEND)

On 16th December 2018, The Secretary of State for Education announced that councils will receive £250m of extra funding over 2018/19 and 2019/20 "to provide much needed support for children and young people with complex SEND". This funding will be on top of that already provided in the high needs budget this year. The Secretary of State has also informed Councils of their allocations. The

allocation for the City Council in 2018/19 is £3.0m. This will increase the DSG allocation by £3.0m within the High Needs block.

Children & Young People plans to increase its budgeted grant income by £3.0m and increase its budgeted expenditure by the same amount.

Cabinet is requested to approve the acceptance of the Grant, and the increase in budgeted income and expenditure, as above.

3.5 Transfer of Service Areas

The Council continues to periodically review the Directorate Service responsibilities with the aim of securing the most appropriate service delivery arrangements to ensure that these are delivered effectively in a co-ordinated manner. The latest approved hierarchy is reflected in Annex 1.

4.1 Collection Fund

The monitoring arrangements for the Collection Fund include reporting on the in-year position for Council Tax and Business Rates. However, for the most part, the impact on the budget is as set out in the Council Plan and Budget 2018+, with any surplus or deficit being required to be carried forward and taken into account as part of the 2019/20 budget setting process.

Council Tax

The overall net budget for Council Tax income including Parish and Town Council Precepts is £329.2m in 2018/19. In addition, the Council collects the precepts on behalf of the Fire and Police Authorities. There has been no change in the anticipated break even position forecast for the year including an in year surplus of £0.1m offset by an equal and opposite deficit brought forward from 2017/18.

Business Rates

Under the 100% Business Rates Pilot that came into effect on 1st April 2017 the Council continues to retain 99% of all Business Rates collected under the Business Rates Retention Scheme with 1% being paid over to the West Midlands Fire Authority. The overall budgeted level of Business Rates in 2018/19 is £422.3m (excluding the Enterprise Zone), of which the Council's retained share is £418.1m.

Excluding the impact of appeals there is a deficit anticipated, in year, of which the Council's share is £2.1m (£0.2m at Month 6). This is due, in part, to additional reliefs for small businesses which will be compensated for via additional grants from Central Government plus additional charitable and empty property reliefs.

In addition, there is an appeals related surplus anticipated of which the Council's share is £13.5m. £5.2m (£8.6m at Month 6) of this is due to the anticipated volume of appeals relating to 2018/19 being lower compared with the assumed position when setting the budget. However, as this is only expected to be an issue of timing, it is anticipated that this element will be required to be set aside and used for appeals in future years. In addition, a further £8.3m net reduction in provisions brought forwards from previous years is anticipated. This is mainly as a result of valuation tribunal decisions against appellants in relation to appeals on Rateable Values in and around the Grand Central complex releasing £8.9m plus other dismissals of outstanding appeals releasing £1.8m less additional provisions forecast for the anticipated removal of ATM's from the ratings list throughout the City of £2.4m.

As a result of the above a total in year surplus of £11.4m (£8.4m at Month 6) is anticipated relating to the Council's share (£2.1m deficit offset by £13.5m appeals related surplus). However, it is proposed that this surplus will be set aside as a contribution to reserves as a contingency against future appeals.

In addition to the in-year position, a cumulative surplus was brought forward from 2017/18 (over and above that budgeted for) which has previously been reported in the 2017/18 Outturn Report. The Council's share is £1.3m.

An overall forecast surplus of £12.7m relating to the Council's share of Business Rates (£11.4m in year surplus plus £1.3m surplus brought forward) is anticipated. £1.1m of

this has been assumed to be taken into account in setting the budget for 2019/20. £11.6m (£11.4m in year plus £0.2m brought forward from previous years) is therefore available as a contribution to reserves as a contingency against future appeals, allowing planned contribution to be brought forward.

5. Detailed Revenue Commentaries by Directorate

The following paragraphs comment on the major financial issues identified at this point in the year. Detailed figures for each Directorate are shown in Annex 1.

5.1 Adult Social Care & Health – Net Underspend £5.2m (Net underspend £0.5m at Month 6)

The Directorate is forecasting an underspend of £5.2m at Month 9. This is an improvement of £4.7m since Month 6 largely related to an improved position on Packages of Care.

The Directorate senior management team have taken steps to accelerate some future years savings, mitigate the overspend reported early in the year, and review spend against a range of non-pay, non-package of care budgets. The Directorate is continuing to take a cautious approach in the light of the challenging savings agenda, uncertain position in relation to packages of care over the winter months, and delays in implementing some elements of the change agenda.

The Directorate continues its implementation of a wide ranging improvement programme for Older Adult Care. The impacts of some aspects of the ASCH change programme are starting to be seen in lower expenditure on packages of care than was expected at this stage in the year. In addition, work continues to review income due to the Council from health and service user contributions. A reduction has been made in the projected year-end position to reflect the overall reduction and further work is being done to identify the extent to which this reduction is sustainable. Due to the volatility in terms of demand and an ageing population with ever increasing acuity of need, the Directorate is taking a cautious approach to the improving picture. In order to be confident in being able to sustain this change the Directorate would need to see this trend continue over a significant period of time.

Processes have been put in place to assign budgets at a locality level with increased oversight and accountability for spend. This along with work to implement the changes in the implementation plan means that the Directorate is delivering on changes impacting on the staffing budget and overachieving on the packages of care budget. The Directorate therefore will not require any additional mitigation for non-delivery of savings above that assumed in the original budget.

Base Budget forecast

There is a net forecast underspend of £5.2m at Month 9. This relates to the following:

- **Adult Packages of Care – net £3.3m underspend (Month 6 £0.7m underspend)**
There is a gross overspend of 3.3m (Month 6 £1.9m) made up by pressures of £0.6m on Day Care Provision and £0.4m on Home Support payments. In addition there are provisions to increase bad debts of £2.3m. These pressures are mitigated by £1.1m additional income from Joint Funded Mental Health Placements, £1.4m on reduced projection of Residential Care costs, £2.7m on increased collection of Client Contributions and £1.4m recoupment of Direct Payments.
- **Specialist Care Services (SCS) - £0.1m underspend (Month 6 £1.0m overspend)**
There have been extensive challenges particularly around the Enablement Service reductions and the Day Care savings. There has been strike action and demonstrations which have delayed the processes. The ongoing disputes may have a £0.7m effect on

staffing with staff not being released from this area as planned and the impact of this has been included in the forecast. The improvement since Month 6 largely relates to bringing forward a saving proposed for 2019/20 which uses capital resources to fund expenditure on assistive equipment.

- Corporate Director - £1.2m underspend (Month 6 £0.4m underspend)
The cross Directorate budgets relating to central support costs, general management, and implementation of the improvement programme, are currently anticipated to be slightly under budget. Management have reviewed spending in this area and identified underspends in Supplies & Services and Premises budgets. The Directorate has also brought forward a saving proposed from 2019/20 which uses capital resources to fund expenditure on the Equipment Loans Store.
- Other minor variations - £0.6m underspend (Month 6 £0.4m underspend)
There are forecast underspends of £0.4m in Assessment and Support Planning and £0.2m in Adult Social Care and Health Commissioning.

Savings Programme forecast

Adult Social Care & Health is forecasting full delivery of the budgeted savings.

The Directorate's savings programme includes two savings which will not be delivered in the way originally anticipated: the changes to the School Health service commissioned by Public Health, and the reduced contribution to the bad debt provision.

It was originally planned that the School Health Advisory Service would be re-modelled and a procurement exercise was run earlier in the year on this basis. This was unsuccessful and a revised proposal was brought to Cabinet in December. This means that the original reduction in the budget will not be delivered in 2018/19, and also only partially in 2019/20. This will be mitigated within the Public Health account from reduced activities levels in other services and higher than anticipated vacancy levels.

In addition the changes planned to the debt collection activity in the Directorate have been delayed and so the saving in the contribution to the bad debt provision will not be achieved. Furthermore, the level of income has risen across the Directorate and so the level of outstanding debt has increased proportionately. The shortfall in the saving is mitigated by additional income, particularly around joint funded packages of care.

Efficiency Target forecast

Adult Social Care & Health has not been able to identify a way of bringing forward the delivery of the £2.4m share of efficiency savings.

5.2 Children & Young People Net Overspend £2.5m (Net Overspend £3.3m at Month 6)

The Directorate is forecasting a net overspend of £2.5m. This is made up of £1.2m (Month 6 £1.7m) base budget pressures and £1.3m (Month 6 £1.6m) savings not deliverable.

The improvement of £0.8m since Month 6 primarily relates to reductions in the overspend on Travel Assist and workforce savings being fully delivered in 2018/19.

Base Budget forecast

The base budget overspend of £1.2m relates to the following:

- There is a shortfall of £1.8m (£2.2m at Month 6) on Travel Assist (which when combined with the £1.3m savings non delivery results in a total deficit of £3.1m). The reduction in the shortfall is mainly due to forecast reductions in the costs of vehicle hire and guides, following a detailed review of costs and projections. The required changes to deliver sustainable recurrent savings will require a change in policy and a new commissioning procurement strategy both of which will require Cabinet approval and appropriate consultation and will not be in place this year to deliver a full year impact. Options are currently being considered to reduce the overspend pressure carrying over into 2019-20 and will be considered by Cabinet as part of the 2019+ Budget Consultation.
- Day nurseries £0.5m (no change since Month 6) - A Cabinet report was planned for June 2018 to seek approval to the recommendations for the day nurseries following consultations and reviews of alternatives – prompted by the fact that the day nurseries are not financially sustainable. It was agreed in October that an alternative option for day nursery provision, which was put forward by GMB union, should be considered. This meant that the report to Cabinet, originally anticipated for October, was delayed until December. It is likely that any change to services will not be implemented this financial year.
- A one off saving of £0.6m (No change since Month 6) has been identified by deferring repayment to school balances in respect of monies borrowed from school balances a number of years ago to help fund a Business Transformation programme.
- Other miscellaneous savings £0.5m (Month 6 £0.4m) – including funding the asset management pressure from capitalisation (as in previous years).

Savings Programme forecast

There are forecast savings not fully achieved in 2018/19 of £1.3m (Month 6 £1.6m). The improvement primarily relates to WOC savings being fully delivered.

- £1.3m Travel Assist. The savings shortfall on Travel Assist with the issues as set out as above.

Efficiency Target forecast

Children & Young People has not been able to identify a way of bringing forward the delivery of the £0.7m share of efficiency savings.

5.3 Place (excluding Housing Revenue Account) – Net overspend £7.6m (Net overspend £7.8m at Month 6)

The Directorate is reporting a forecast overspend of £7.6m at Month 9 which represents a reduction of £0.2m since Month 6. This includes base pressures of £4.9m (£4.8m Month 6) and forecast non-delivery of savings of £2.7m (£3.0m Month 6).

Base Budget forecast

A base budget pressure of £4.9m (£4.8m Month 6) is forecast at Month 9 comprising:

- Waste Management Services – £5.4m (£5.5m Month 6) pressure relating to:
 - The delay in the implementation of the 5 day working week until September 2018 (£1.7m)
 - On-going commercial volatility and lower paper market prices (£1.2m)
 - Lower fleet services recharge income due to reduced demand from internal Council customers (£0.7m)
 - Residual matters relating to external contractors commissioned during the industrial dispute in 2017/18 (£1.8m)
- Markets – £1.2m pressure (£1.1m Month 6)
 - The pressure substantially relates to transitional costs arising from the relocation of the wholesale market. This includes part year costs of additional non domestic rate expenditure relating to the old wholesale market at Pershore Road and an increased level of bad debt provision required, the latter of which is the reason for the movement since month 6.
- £0.2m (no change) overspend on Equalities and Community Cohesion/CCTV
 - There have been a number of budget reductions in previous years that have not been fully implemented. This has meant that the budget is not sufficient to support all of the existing cameras. A proposal is being prepared related to removing some of the cameras, which would reduce the annual overspend. However there will be significant one-off costs for removing the cameras and making good the highways / pavements.
- Homelessness Service - A number of key risks remain however (not reflected in this year-end projection), principally relating to continuing and increasing pressures on the Homeless Service

Offset by

- £1.9m underspend (£1.8m underspend Month 6) due to a number of mitigations in a number of individual service areas comprising:
 - Private sector housing (£0.5m),
 - Bereavement Services (£0.4m)
 - Neighbourhood & Community Services (£0.5m)

- Adult Education Services (£0.2m)
- Support Costs (£0.2m)
- Parks and Nature (£0.1m)

Savings Programme forecast

The 2018/19 Savings Programme has savings of £2.7m (Month 6 £3.0m) that are not expected to be delivered at Month 9. These are summarised below.

- £0.4m Waste Services (no change since Month 6) – Capacity Fee and Overrun Agreement (pending the procurement of the new contract from January 2019). This is the element that may not be realisable from the total of £1.8m based on the current position on the negotiation of the agreement. This assessment will be further reviewed and refined to reflect the outcome of negotiations.
- £0.3m on Parks (no change since Month 6) – A previously anticipated pressure relating to the disposal of parks land (expected 8 acres per year subject to approval by Property Board) has now been alleviated leaving an undeliverable prior year saving relating to Cofton Nursery of £0.3m.
- £0.7m Asset and Property Disposal Programme (no change since Month 6) – Sales of £8m per annum to generate a revenue saving subject to approval by Property Board. These have been delayed due to extended consultation on sites affected.
- £1.2m Cross Cutting Workforce Savings (£1.4m Month 6) – £1.3m is achieved from the total of £2.5m (the non-delivery of £1.2m includes £0.8m for Waste Services). Plans are in development for a refreshed approach to delivery that will take a whole Directorate view rather than pro-rating savings to individual service areas.
- £0.1m (£0.2m Month 6) of pension strain costs from previous years.

Efficiency Target forecast

Place Directorate has not been able to identify a way of bringing forward the delivery of the £1.2m share of efficiency savings.

5.4 Economy – Net overspend £0.4m (Net overspend £1.0m at Month 6)

Economy is forecasting a net overspend of £0.4m (Month 6 £1.0m overspend). This includes forecast non-delivery of savings of £3.8m, offset by base underspends of £2.7m and by accelerated achievement of the Efficiency Target of £0.7m.

This is an improvement of £0.6m since Month 6. Savings non-delivery has worsened by £0.2m. This is offset by a £0.8m improvement in the Base Budget forecast.

Base Budget forecast

The Directorate is reporting an underspend of £2.7m (Month 6 £1.9m underspend) on the base budget position which includes:

- Council Administration Buildings (CAB) Income £0.5m shortfall (No change since Month 6): This largely relates to a reduction of income due to the relocation of previous CAB clients.
- Facilities Management (FM) £0.3m pressure (No change since Month 6): FM provides a range of 'security and curatorial' services across the Council and became the management responsibility of Birmingham Property Services (BPS) at the start of 2018/19, having previously been managed on behalf of the Council by Acivico. Over recent years FM's year-end outturn position has been one of deficit, with the position for 2017/18 totalling £0.3m.
- Other minor in year overspend of £0.8m including £0.5m (Month 6 £0.5m) Street Lighting, £0.2m (Month 6 £0.2m) shortfall on Licences and Permit income, and £0.1m deficit on Local Engineering and Car Parking (Month 6 balanced).

These have been more than offset by the following:

- Civil Parking Enforcement £0.7m Surplus (Month 6 £0.7m)
- Prudential borrowing £0.4m Underspend (Month 6 £0.5m)
- Planning Application Fee Income £0.6m Surplus (Month 6 £0.4m)
- Developers Fee Income £0.6m Surplus (Month 6 £0.4m)
- HMMPFI Superannuation £0.3m Underspend (Month 6 £0.3m)
- Pre-application Fee Income £0.3m Surplus (Month 6 £0.3m)
- £0.5m savings from part funding the West Midlands Passenger Transport Levy relating to concessionary fares from in-year Bus Lane Enforcement surplus (Month 6 balanced)
- Other minor underspends totalling £0.9m comprising: Highways & Infrastructure £0.2m (Month 6 £0.2m), Planning £0.2m (Month 6 £0.2m), Business & Customer Support £0.2m (Month 6 £0.2m), Car Parking Related Income £0.1m (Month 6 £0.1m), and other underspends £0.2m (Month 6 £0.1m).

Savings Programme forecast

Savings not anticipated to be fully achievable in 2018/19 of £3.8m are set out below:

- InReach £1.6m (Month 6 £1.6m): This is made up of three elements: There is under-achievement of £0.4m on the Embankment Development and delays of £0.5m on the

Further Market Rent Homes Scheme, including Key Hill and Brasshouse, and £0.3m delays on the HRA Voids Scheme. The HRA Voids Scheme was subject to approval from the Secretary of State, and due to delays in approval, this scheme is now forecast to commence with effect from 2019/20.

- CAB £1.7m (no change since Month 6): An underachievement of £2.0m after a one-off planned use reserves of £0.4m is planned to be partially mitigated by £0.3m on-going revenue benefit from property disposals used to repay debt.
- City Centre On-Street Parking £0.5m (no change since Month 6): The scheme was originally planned to be in operation for a full year in 2018/19. However, due to a lengthy consultation process the scheme is not now expected to generate income until April 2019. As a result there will be a shortfall against the income budget in 2018/19. At Month 6, it was assumed to deliver savings from February 2019. However this has been delayed further, largely due to the complexity in preparing Traffic Regulations Orders (TROs) for several sites.

Efficiency Target forecast

Economy has accelerated its efficiency savings to cover its target of £0.7m in the current year as required

5.5 Strategic Services – Net underspend £1.7m (Net overspend £0.6m at Month 6)

The Directorate is forecasting a net underspend of £1.7m (Net overspend £0.6m at Month 6) representing an improvement of £2.3m since Month 6. This includes a net underspend on the base budget of £1.4m (£0.9m base pressure at Month 6) plus an accelerated achievement of the Efficiency Target of £0.3m (no change).

Base Budget forecast

The Directorate is reporting a net underspend of £1.4m (£0.9m overspend at Month 6) on the base budget position which includes:

- A net shortfall in digital advertising income of £1.1m (Month 6 £1.3m) due to build delays, the impact of traffic disruption especially around the Paradise roadworks, and the challenging economic position which is impacting on the ability to sell advertising slots. The service will continue working with the contracting partner to try to expedite the advertising site build programme to assist in the income delivery and potentially develop further income raising proposals. Careful monitoring of the income continues.

Offset by

- £1.0m underspend (zero at Month 6) for Information Communication Technology & Digital Services (ICT&D) – This is mainly due to lower Prudential Borrowing costs than budgeted for and an underspend on Microsoft Licences.
- A £1.0m (zero at Month 6) underspend on Revenues and Benefits. There is a one-off budget to repay £1.0m use of Housing Benefit Subsidy Reserve that was expected to be utilised in

2017/18. The £1.0m was not drawn down as anticipated in 2017/18, and therefore there is no requirement to repay this. To date, this has been assumed as part of the overall Housing Benefit Subsidy budget and outturn forecast. It is now considered that this can be returned corporately.

- A £0.5m (£0.4m at Month 6) underspend on Business Improvement – The consolidation of budgets and staff is nearing completion resulting in a much clearer position on the forecast for the year.

Efficiency Target forecast

Strategic Services has accelerated its efficiency savings to cover its target of £0.3m in the current year as required, which is unchanged since Month 6.

5.6 Human Resources – Net underspend £0.3m (no change since Month 6)

The Directorate is forecasting a net underspend of £0.3m. This includes a base budget underspend of £0.2m plus an accelerated achievement of the Efficiency Target of £0.1m.

Base Budget forecast

An underspend of £0.2m is forecast on the base budget due to the anticipated pension fund strain being funded centrally.

Savings Programme forecast

HR has savings targets of £0.2m (no change) of WOC savings it considers unachievable in the current year while the new service model is implemented. However, these are expected to be mitigated in the short term through vacancy management.

Efficiency Target forecast

Human Resources have accelerated their efficiency savings to cover their target of £0.1m in the current year as required. This has been achieved, again, through vacancy management.

5.7 Finance & Governance – Net underspend £1.6m (Net underspend £1.3m at Month 6)

The Directorate is forecasting a net underspend position of £1.6m at Month 9. (Month 6 £1.3m underspend).

This is a £0.3m improvement, made up by improvements of £0.1m related to Business Transformation, £0.1m forecast additional income for Legal and Governance, and £0.1m other minor variations.

Base Budget forecast

There is a forecast underspend of £1.3m (£1.0m at Month 6) made up of the following:

- SAP Development £0.9m underspend (no change since Month 6)

- Business Transformation £0.2m underspend (£0.1m at Month 6)
- Legal and Governance £0.1m underspend (Balanced at Month 6)
- Other minor variations £0.1m underspend (Balanced at Month 6).

Savings Programme forecast

The budgeted savings are expected to be fully achieved.

Efficiency Target forecast

Finance and Governance has accelerated its efficiency savings to cover its target of £0.3m in the current year as required.

5.8 Chief Executive and Assistant Chief Executive – net underspend £0.025m (no movement since Month 6)

The Directorate is forecasting a net underspend position of £0.025m at Month 9. This has not moved since Month 6.

Base Budget forecast

The base budget is forecast to be balanced at Month 9.

Savings Programme forecast

The budgeted savings are expected to be fully achieved.

Efficiency Target forecast

The Directorate has accelerated its efficiency savings to cover its target of £0.025m in the current year as required.

5.9 Housing Revenue Account

A balanced HRA Budget was approved for 2018/19 (expenditure of £277.2m funded by equivalent income). The budget was based on the continuing national rent policy of -1% that will be implemented in each year from 2016/17 to 2019/20.

A balanced overall revenue position is forecast, with any net overspends or underspends to be managed by corresponding adjustments to the level of HRA borrowing repaid.

Key areas of financial uncertainty relate to levels of tenants' Right To Buy activity, housing repairs contractors' performance (reflecting performance related payment elements of contracts) and tenants' arrears / rent payment levels as Universal Credit continues to be rolled out. These will continue to be closely monitored through the year.

The forecast year-end financial position is summarised in the table below:

Table 6: HRA Forecast Position

	£m
Repairs & Maintenance	(4.2)
Estate Services	(0.2)
Local Offices/Housing Management	(0.3)
Rental Income & Arrears	0.8
Capital Financing/Debt Repayment	3.9
Total	0.0

Capital Financing represents an increased repayment of HRA borrowing in order to deliver a balanced overall HRA, in order to minimise interest payments in the longer term. Consideration will continue to be given to the need to balance increased debt repayment with additional capital investment in the housing stock as the year progresses and any additional investment needs are identified.

It appears unlikely that any government support will be forthcoming to contribute to the costs of the installation of sprinklers and other fire prevention works. Work is continuing to assess the investment need in Birmingham, in order to identify any reprioritisation of works or resource utilisation to ensure the safety of our tenants.

Other key risks relate to impacts of the continuing rollout of Universal Credit (which may increase levels of tenants' rent arrears), uncertainty over the level of future annual rent increases (currently anticipated to be calculated as CPI + 1% from April 2020) and potential pricing risks from the extension or retendering of repairs contracts to come into effect from April 2020.

5.10 Dedicated Schools Grant (DSG) net overspend £5.1m (Net overspend £3.5m at Month 6)

The Dedicated Schools Grant (DSG) is a highly prescribed and ring-fenced grant which is currently budgeted at £661.7m. It is the primary source of funding that is delegated /allocated to schools and other educational providers for their revenue costs as well as funding certain prescribed centrally managed provision. The funding is shown in Table 8 below. The total funding for Birmingham is £1,169.7m, of which £508.0m is currently recouped by the Education Funding Authority (EFA) to directly passport funds to academies and free schools, leaving £661.7m to be funded by the City Council.

Table 8	Funding	Less Recoupment	BCC Funding	Forecast M9	Over/ (Under) M9
	£m	£m	£m	£m	£m
Schools Block	908.5	(479.5)	429.0	429.0	0.0
High Needs Block	152.6	(28.5)	124.1	129.2	5.1
Early Years Block	90.7		90.7	90.7	0.0
Central Services Block	17.9		17.9	17.9	0.0
Total	1,169.7	(508.0)	661.7	666.8	5.1

The key issues for 2018/19 are as follows:

Schools Block

The Directorate is supporting schools with deficits to either come out of deficit and/or stop them increasing. As at 31/3/2018 the net balance on schools was £49m, which comprised £60m surplus balances and £11m deficit balances. The latest estimate of schools in deficit is £13.1m, though this will depend if there are any further academy conversions in the current year. The growing level of deficit is an increasing concern since where those deficits are not addressed and schools are directed to become academies due to poor educational performance BCC is required to fund the deficits. Within the schools which are expected to transfer to academy status in the remainder of 2018/19, there are two schools which have a deficit of £1.5m and £0.6m respectively, which could transfer to academies. An amount of £0.5m would be covered by DSG contingency, which would mean an amount of £1.6m which would need to be funded by BCC through capital receipts.

High Needs Block

- The level of spend on High Needs is the second main area of concern, which is a concern nationally. At the end of 2017/18 the cumulative deficit on High Needs was £13.8m. The forecast net overspend for the current year is £5.3m, which has increased from that reported at Month 6 by £1.8m, due in particular, to increased costs of High Needs provision in Colleges / FE settings and Independent Schools.
- The current projected overspend of £5.3m in the High Needs Service largely relates to £1.3m in special schools as a result of additional place changes to top-up funding and ESN payments to reflect increased complexity of need, £1.8m in post 16 placements and £1.2m in independent placement provision primarily due to savings not achievable, £0.9m in Resource Base provision and £0.7m in mainstream primary, secondary and early year settings. There are also other overspends of £0.4m for placements in other LAs due to

growth and shortage of places and £0.2m in alternative provision. This has been partially offset by savings of £1.2m due to unrealised liabilities from 2017/18 for independent placements (£0.8m) and Post 16 Placements (£0.4m).

- Other minor underspends of £0.2m in this block have been identified.
- The Directorate is considering the utilisation of part of the under spend brought forward from 2017/18 on other DSG blocks prescribed activities to reduce the deficit. The directorate is also reviewing planned commitments and other funding sources.
- In view of national pressures on special educational needs, the Government have, recently announced additional funding for High Needs of £3.0m in 2018-19 the same amount for 2019-20. This will have a beneficial impact on the financial position, though the precise impact of the funding will require discussion at the School Forum and consideration of the recently agreed Written Statement of Action on High Needs agreed with partners, following the Ofsted review of SEND in Summary 2018. There is likely to be a case for some additional investment to address the underlying deficit on High Needs over a longer-term as part of its recovery plan.
- The DFE Consultation on the implementation of new arrangements for reporting deficits of the dedicated schools grant will require all local authorities with a cumulative overspend on DSG provision to produce recovery plans detailing the steps they plan to take to provide statutory services within the annual funding envelope. These recovery plans should be discussed with, and if possible, agreed with, the local schools forum and should look to bring the overall DSG account into balance within a maximum of three years. This will be set out in the Financial Plan 2019+.

Other DSG variances

- Within other DSG spend areas, there is a forecast balanced position. This comprises forecast underspends on Admissions (£0.2m), offset by over spends on Strategic Leadership (£0.1m) and Schools Centrally Managed Budget (£0.1m).

5.11 Corporate Position - Net overspend £0.4m (Net overspend £2.3m at Month 6)

There is a forecast net overspend of £0.4m in Corporate. This includes non delivery of savings of £1.9m offset by a base budget underspend of £1.5m.

This is an improvement of £1.9m since Month 6.

Base Budget forecast

There is a Corporate underspend of £1.5m (Month 6 £0.8m overspend) on the base budget position which includes:

- Non-achievement of income of £0.7m related to budgeted Acivico profit share that, to be prudent, is being treated as unachievable, and a further £0.1m forecast costs for charges such as archiving and unfunded Highbury Hall costs (no change since Month 6).
- Following the report to Cabinet on 11th December regarding Acivico, it is considered that there will be pressure of £2.0m historic issues identified as part of the accounts process, and a forecast pressure of £0.8m relating to the transitional process to move Acivico out of a deficit position.

These have been more than offset by the following:

- As a result of the Government refining calculations relating to compensatory grants due for additional Business Rates Reliefs brought in as part of the Budget and Autumn Statement 2016, the Council will receive a further £2.2m of extra section 31 grants in 2018/19 which can be used to mitigate the corporate pressures described above. The Government made this announcement on 31st October 2018.
- It is forecast that the Council's dividend income will be £0.5m higher than budgeted.
- The Council has identified that it can reduce the contribution to the Business Rates Reserves by £2.4m compared to the budget, thus reducing the corporate pressures.

Savings Programme Forecast

Savings not anticipated to be fully achievable in 2018/19 of £1.9m are set out below:

- Commercialism £1.1m (no movement since Month 6): There is a target of £1.2m from Commercialism savings. The template only expects £0.1m to be achieved in year as planned. There was a plan for the remainder to be achieved by one-off mitigations. However, the latest assessment is that it would not be prudent to assume that £1.1m of these will be achieved. This will continue to be monitored. The benefits from the actions currently undertaken will show in 2019/20.
- Review of Senior Structure £0.6m (Month 6 £0.3m): There is a target of £0.6m from the planned review of senior structures. It has been assumed that none of the savings are achieved. It is anticipated that this will be fully delivered in future years.

- Workforce Savings £0.2m (Month 6 £0.1m): There is non-achievement of £0.2m of Workforce savings that were previously shown against Children and Young People Directorate. It has been established that these savings relate to staff funded by the DSG and therefore cannot be achieved.

5.12 Movements since Month 6

The Council has each month produced a forecast year end position. This report compares to the position at Month 9 to the position at Month 6. Below is a summary of the position in the months in between the quarterly Cabinet Reporting cycle

Directorate	Total Forecast Overspend/(Underspend)			
	as at			
	Month 6 £m	Month 7 £m	Month 8 £m	Month 9 £m
Adult Social Care & Health Directorate	(0.472)	(2.877)	(4.986)	(5.205)
Children & Young People Directorate	3.315	3.184	2.897	2.535
Place Directorate	7.778	9.124	7.788	7.618
Economy Directorate	1.000	0.900	0.400	0.400
Strategic Services Directorate	0.614	(0.398)	(1.659)	(1.739)
Human Resources	(0.331)	(0.331)	(0.331)	(0.331)
Finance & Governance Directorate	(1.258)	(1.250)	(1.250)	(1.600)
Chief Executive & Assistant Chief Executive	(0.025)	(0.025)	(0.025)	(0.025)
Sub-total Directorates Position	10.621	8.327	2.834	1.653
Policy Contingency	0.000	0.000	0.000	0.000
Corporate Savings	1.509	1.858	1.858	1.858
Other Corporate Items	0.801	(1.431)	(1.503)	(1.503)
Sub-total Corporate Position	2.310	0.427	0.355	0.355
City Council General Fund	12.931	8.754	3.189	2.008
Housing Revenue Account (HRA)	0.000	0.000	0.000	0.000
City Council	12.931	8.754	3.189	2.008

Financial Position analysed by Directorate - budget pressures (including budget savings)

Division of Service Area	FULL YEAR BUDGET			YEAR END			
	Original Budget	M'ments	Revised Budget	Base Budget Pressures / (Savings)	Savings Programme not Deliverable	Efficiency Target	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Corporate Director	37.222	0.000	37.222	(1.165)			(1.165)
Adult Packages of Care	197.179	(0.400)	196.779	(3.161)			(3.161)
Assessment & Support Planning	35.817	0.781	36.598	(0.397)			(0.397)
Specialist Care Services	31.036	0.400	31.436	(0.241)			(0.241)
Adult Social Care & Commissioning	34.979	(0.945)	34.034	(0.241)			(0.241)
Public Health	0.000	0.000	0.000	0.000			0.000
Adults Social Care & Health Directorate Total	336.232	(0.164)	336.068	(5.205)	0.000	0.000	(5.205)
Education and Skills	76.408	1.112	77.520	0.113			0.113
Schools Budgets	(156.117)	(3.480)	(159.597)	0.100			0.100
Children With Complex Needs	108.201	3.103	111.304	1.808	1.300		3.108
Early Help & Childrens Soc Care	0.000	0.000	0.000	(0.192)			(0.192)
Business Change	23.055	(0.708)	22.346	(0.507)			(0.507)
Birmingham Children' Trust	183.304	1.565	184.869	(0.087)			(0.087)
Children and Young People Directorate Total	234.850	1.591	236.442	1.235	1.300	0.000	2.535
Community Sports & Events	5.781	0.212	5.993	0.036	0.125		0.161
Fleet and Waste Management	57.237	1.093	58.330	5.373	0.496		5.869
Parks and Nature Conservation	11.600	0.497	12.097	(0.118)	0.495		0.377
Bereavement Services	(3.404)	0.000	(3.404)	(0.456)	0.056		(0.400)
Markets	(1.190)	(0.570)	(1.760)	1.222			1.222
Business Support	1.044	0.000	1.044	0.000			0.000
Equalities, Cohesion & Safety	0.277	0.000	0.277	0.176	0.004		0.180
Resilience and Services	1.107	0.085	1.192	(0.030)	0.030		0.000
Regulatory Services	8.125	0.025	8.150	(0.118)			(0.118)
Private Sector Housing	(0.147)	0.000	(0.147)	(0.500)			(0.500)
Neighbourhood Community Services	27.641	0.140	27.781	(0.469)			(0.469)
Birmingham Adult Education	(0.365)	0.000	(0.365)	0.000			0.000
Central Support Costs	14.532	(0.788)	13.744	(0.192)	1.488		1.296
Housing Revenue Account	0.000	0.000	0.000	0.000			0.000
Culture & Visitor Economy	8.463	0.010	8.473	0.000			0.000
City Centre Management	0.041	0.052	0.093	0.000			0.000
Housing Options	5.106	0.000	5.106	0.000			0.000
Shelforce	(0.164)	0.071	(0.093)	(0.016)	0.016		0.000
Other funds	0.000	0.000	0.000	0.000			0.000
Place Directorate Total	135.687	0.827	136.514	4.908	2.710	0.000	7.618
Planning & Development (City Centre, EZ & BDI)	2.842	0.293	3.135	(0.220)			(0.220)
Planning & Development (Strategy & Planning)	2.541	(0.384)	2.158	(0.920)			(0.920)
Business and Customer	8.008	2.068	10.076	(0.161)		(0.739)	(0.900)
Transportation and Connectivity	46.246	0.383	46.629	(0.600)			(0.600)
Housing Development	(1.343)	0.000	(1.343)	(0.104)	1.644		1.540
Highways and Infrastructure	40.834	(0.085)	40.749	(1.063)	0.463		(0.600)
Birmingham Property	(6.899)	0.586	(6.313)	0.415	1.685		2.100
Employment Services	0.535	1.448	1.983	0.000			0.000
GBSLEP Executive	0.000	0.000	0.000	0.000			0.000
Economy Directorate Total	92.764	4.309	97.073	(2.653)	3.792	(0.739)	0.400

Appendix A

Annex 2

Division of Service Area	Original Budget £'m	M'ments £'m	Revised Budget £'m	Base Budget	Savings	Efficiency	Total £'m
				Pressures /	Programme not	Target	
				(Savings)	Deliverable		
				£'m	£'m	£'m	
Corporate Strategy	0.231	0.000	0.231	0.079		0.000	0.079
Procurement	(2.387)	(0.027)	(2.414)	1.122		(0.022)	1.100
Revenues & Benefits	1.216	(0.001)	1.215	(1.000)		(0.038)	(1.038)
Core ICT	7.485	(0.844)	6.642	(1.000)	0.000	(0.017)	(1.017)
Customer Services	10.015	0.276	10.291	0.000		(0.065)	(0.065)
Communications	1.595	(0.000)	1.594	(0.128)		(0.010)	(0.138)
Business Improvement	12.131	0.082	12.213	(0.536)		(0.124)	(0.660)
Cityserve	(2.231)	(0.004)	(2.235)	(0.000)			(0.000)
Strategic Services Total	28.055	(0.518)	27.537	(1.463)	0.000	(0.276)	(1.739)
Human Resources	6.572	(0.090)	6.482	(0.253)		(0.078)	(0.331)
Human Resources Total	6.572	(0.090)	6.482	(0.253)	0.000	(0.078)	(0.331)
City Finance	8.898	0.391	9.288	0.000			
Birmingham Audit	1.679	0.045	1.724	(0.905)		(0.095)	(1.000)
Business Transformation	39.756	0.072	39.828	(0.024)			(0.024)
Directorate Wide Rec	(30.882)	(0.091)	(30.974)	(0.266)			(0.266)
Shared Services Centre	0.036	(0.092)	(0.056)	0.000			0.000
Insurance	0.095	0.000	0.095	0.000			0.000
ACIVICO Profit Share	0.497	0.000	0.497	0.000			0.000
Legal & Democratic Services	5.148	0.000	5.148	0.000	0.000		(0.100)
Elections Office	1.618	0.000	1.618	(0.100)			0.000
Charities & Trusts	0.051	0.000	0.051	0.000			0.000
Corporate Resources	1.087	2.236	3.322	0.000		(0.149)	(0.210)
Major Projects	0.064	0.000	0.064	(0.061)			0.000
Business Loans & Other	(0.548)	0.300	(0.248)	0.000			0.000
Finance & Governance Total	27.497	2.860	30.358	(1.356)	0.000	(0.244)	(1.600)
Chief Executive & Assistant Chief Executive	3.174	(0.255)	2.919	0.000		(0.025)	(0.025)
Chief Executive & Assistant Chief Executive Total	3.174	(0.255)	2.919	0.000	0.000	(0.025)	(0.025)
Total Directorate Gross Spending	864.832	8.560	873.392	(4.787)	7.802	(1.362)	1.653
Policy Contingency	11.481	(6.536)	4.945	0.000	0.000	0.000	0.000
Acivico Overspend Funded Corporately	0.000	0.000	0.000	3.595			3.595
Other Corporate Items	(21.124)	(2.025)	(23.148)	(5.098)	1.858		(3.240)
Centrally Held Total	(9.643)	(8.560)	(18.203)	(1.503)	1.858	0.000	0.355
Net Budget Requirement	855.189	0.000	855.189	(6.290)	9.660	(1.362)	2.008
Housing Revenue Account	0.000	0.000	0.000	0.000	0.000	0.000	0.000
City Council (inc HRA & DSG)	855.189	0.000	855.189	(6.290)	9.660	(1.362)	2.008

Appendix A

Annex 3

Policy Contingency Month 9 Monitoring to 31st December 2018

	Original Budget 2018/19	Approvals / Adjustments in Voyager	Revised Budget 2018/19	Approvals / Allocations not yet in Voyager as at 31st December	Proposals awaiting approval at 31st December	Remaining Contingency if proposals approved
	£'000	£'000	£'000	£'000	£'000	£'000
Car Park Closure Resources	252		252			252
Carbon Reduction	1,056		1,056			1,056
National Living Wage	101		101			101
Autoenrolment in Pension Fund	300		300			300
Inflation Contingency	5,275	(1,057)	4,218			4,218
Highways Maintenance	589		589			589
Apprenticeship Levy	869		869	(869)		0
Commonwealth Games Project Team Costs	1,000	(1,000)	0			0
Future Council Improvement Funding	682		682			682
WOC2 Implementation Costs	69		69			69
ASCH Winter Pressure					5,601	5,601
Subtotal Specific Contingency	10,193	(2,057)	8,136	(869)	5,601	12,868
General Contingency	3,038	(660)	2,378	(538)	(1,500)	340
Total Contingency excluding savings	13,231	(2,717)	10,514	(1,407)	4,101	13,208
Corporate Structures - savings to be allocated	(600)		(600)			(600)
Commercialism - savings to be allocated	(1,150)		(1,150)			(1,150)
WOC savings incorrectly charged to DSG		(153)	(153)			
Total Contingency including savings	11,481	(2,870)	8,611	(1,407)	4,101	11,458

Directorate Savings Programme – Position at Month 9**Adult Social Care & Health savings not forecast to be achieved ongoing**

Savings Reference	Service Area	One off Mitigations £m	2018-19 Non-Delivery £m	2019/20 Shortfall/ (Surplus) £m	2020/21 Shortfall/ (Surplus) £m	2021/22 Shortfall/ (Surplus) £m
	Bad Debt	0.350	0.000	0.000	0.000	0.000
	Contracts -PH	1.340	0.000	0.000	0.000	0.000
Grand Total		1.690	0.000	0.000	0.000	0.000

Children & Young People savings not forecast to be achieved ongoing

Savings Reference	Service Area	One off Mitigations £m	2018/19 Non-Delivery £m	2019/20 Shortfall / (Surplus) £m	2020/21 Shortfall / (Surplus) £m	2021/22 Shortfall / (Surplus) £m
CH4 17+ / MIA3 16+	Education travel	0.000	1.300	1.754	1.974	1.974
Grand Total		0.000	1.300	1.754	1.974	1.974

Place savings not forecast to be achieved ongoing

Savings Reference	Service Area	One off Mitigations £m	2018/19 Non-Delivery £m	2019/20 Shortfall / (Surplus) £m	2020/21 Shortfall / (Surplus) £m	2021/22 Shortfall / (Surplus) £m
SN6 16+	Waste Disposal Contract	0.000	0.400	2.500	2.500	2.500
SN24 16+	Provide above ground mausoleums and vaults	0.209	0.000	0.000	0.000	0.000
PL004	Bereavement Services	0.060	0.000	0.000	0.000	0.000
HN7 17+	Asset and property disposal programme	0.000	0.700	0.000	0.000	0.000
WOC1	Allocation of workforce savings	0.200	1.208	0.000	0.000	0.000
PFS	Corporate Funding of Pension Fund Strain	0.000	0.096	0.000	0.000	0.000
SN32 (16/17)	Income Generation from Cofton Nursery	0.000	0.306	0.000	0.000	0.000
Grand Total		0.469	2.710	2.500	2.500	2.500

Economy savings not forecast to be achieved ongoing

Savings Reference	Service Area	One off Mitigations	2018/19 Non-Delivery £m	2019/20 Shortfall / (Surplus) £m	20120/21 Shortfall / (Surplus) £m	2021/22 Shortfall / (Surplus) £m
MYR4/HN11/SN40	InReach Housing Programme	0.000	1.644	1.604	1.121	0.442
SN35 16+	Expansion of City Centre on-street parking, concessions and restrictions	0.000	0.463	0.000	0.000	0.000
CC26 16+	Council administrative buildings reduction	0.715	1.685	1.834	1.544	1.386
Grand Total		0.715	3.792	3.438	2.665	1.828

Appendix A

Strategic Services savings not forecast to be achieved ongoing

Annex 4

Savings Reference	Service Area	One off Mitigations £m	2018/19 Non-Delivery £m	2019/20 Shortfall / (Surplus) £m	2020/21 Shortfall / (Surplus) £m	2021/22 Shortfall / (Surplus) £m
CC1 17+ / CC23 16+ / E23 16+	Implementation of ICT & D strategy	4.529	0.000	0.000	0.000	0.000
CC4 17+	Increase advertising income from pavement advertising	0.500	0.000	0.000	0.000	0.000
SS002	Corporate Procurement Services	0.030	0.000	0.000	0.000	0.000
SS002A	Commissioning and Procurement - Bus & Comm Development Team	0.286	0.000	1.000	1.000	1.000
Grand Total		5.345	0.000	1.000	1.000	1.000

Human Resources savings not forecast to be achieved ongoing

Savings Reference	Service Area	One off Mitigations £m	2018/19 Non-Delivery £m	2019/20 Shortfall / (Surplus) £m	2020/21 Shortfall / (Surplus) £m	2021/22 Shortfall / (Surplus) £m
WOC1	Allocation of workforce savings	0.204	0.000	0.000	0.000	0.000
Grand Total		0.204	0.000	0.000	0.000	0.000

Finance & Governance savings not forecast to be achieved ongoing

Savings Reference	Service Area	One off Mitigations £m	2018/19 Non-Delivery £m	2019/20 Shortfall / (Surplus) £m	2020/21 Shortfall / (Surplus) £m	2021/22 Shortfall / (Surplus) £m
CC13 17+	Impact of reduced numbers of councillors	0.025	0.000	0.000	0.000	0.000
Grand Total		0.025	0.000	0.000	0.000	0.000

Chief Executive & Assistant Chief Executive Directorate: All savings are forecast to be achieved ongoing

Corporate savings not forecast to be achieved ongoing

Savings Reference	Service Area	One off Mitigations £m	2018-19 Non-Delivery £m	2019/20 Shortfall/ (Surplus) £m	2020/21 Shortfall/ (Surplus) £m	2021/22 Shortfall/ (Surplus) £m
CC001	Review of senior structures	0.000	0.600	0.000	0.000	0.000
SS012	Commercialisation	0.000	1.105	0.000	0.000	0.000
WOC1	Workforce Costs	0.000	0.153	0.206	0.271	0.271
Grand Total		0.000	1.858	0.206	0.271	0.271

6. Use of Reserves

- 6.1** In line with the Council Plan and Budget 2018+ agreed in February 2018, the Council is planning for the strategic use of £30.5m of Corporate Reserves in 2018/19.
- 6.2** In addition, there are both planned uses of and contributions to Other Reserves. A net contribution of £1.9m to Other Reserves was assumed as part of setting the budget.
- 6.3** There has been a £4.0m reduction in the planned strategic use of Reserves to balance the budget.
- 6.4** Overall, there is a £11.6m net reduction in the forecast use of Reserves, as can be seen in Table 7 below. It is made up by the following:
- £4.0m reduction in use of one-off Reserves from previous years
 - £0.5m use of the Capital Fund
 - £2.3m reduction in contribution to Business Rates Appeals Reserve
 - £1.5m use of Commonwealth Games Reserve
 - £2.5m reduction in use of Grant Reserves
 - £25.4m increase in contributions to Grant Reserves
 - £16.0m increase in use of other Earmarked Reserves
 - £0.6m increase in Contribution to Other Earmarked Reserves
 - £0.6m reduction in Repayment of Schools Balances.

Further details are provided below:

Strategic Reserves (£4.0m net reduction in Use)

- 6.5** As part of the Financial Plan 2018+ Cabinet approved one off use of resources of £4.0m in relation to the Construction Cost Dispute Reserve as these were anticipated to be received in 2017/18. However, the Council received the £4.0m this Financial Year. This therefore means that the Council does not need to use these Reserves in 2018/19 and is instead using the income received in 2018/19.

Capital Fund (£0.5m Use) (as reported at Month 6)

- 6.6** Revenue costs of £0.5m related to the sale of Innovation Birmingham Group agreed by Cabinet 8th March 2018 are to be met by the capital fund, as agreed by Cabinet on 8th March 2018.

Business Rates Appeals (£2.3m Reduction in Contributions)

- 6.7** As part of the Financial Plan 2018+ Cabinet approved the contribution of £9.3m in relation to Business Rates Reserves. Following a review, the Council now considers it needs to contribute £7.0m Reserves, and is therefore contributing £2.3m less than was budgeted

Commonwealth Games Reserve (£1.5m Use) (as reported at Month 6)

6.8 There is a lower than anticipated contribution to the Commonwealth Games Contingency Reserve of £1.5m, following the decision of Cabinet on 26th June 2018 to approve a Revenue budget of £1.5m funded from the Commonwealth Games Reserve.

Use of Grant Reserves (£2.5m net reduction in Use) (£0.6m increase in use at Month 6)

6.9 Adult Social Care & Health is planning to use £6.5m less Improved Better Care Fund (iBCF) Reserves than budgeted (£2.5m at Month 6).

6.10 Economy is planning to use £2.6m of Grant Reserves (as reported at Month 6).

6.11 Economy is planning to use £0.3m less of Grant Reserves than budgeted related to the Duddeston Parking Scheme (part of the Clean Air Zone). This will be needed in 2019/20 instead, due to slippage in work timescales.

6.12 Economy is planning to use £0.2m of Grant Reserves relating to the continuous Clean Air programme to support the carbon reduction agenda.

6.13 Finance & Governance is planning to use £0.4m of Grant Reserves related to Individual Electoral Registration.

6.14 Children & Young People plans to use £0.1m of Grant Reserves related to the Assessed & Supported Year in Employment (ASYE). This reserve relates to the Birmingham Children's Trust (BCT) and is included in their contract sum for 2018/19.

6.15 Place plans to use £0.5m of Housing Trailblazer Options Grant Reserve to set up a Modern Slavery Victim Pathway Pilot.

6.16 There is a net other additional use of £0.5m of Grant Reserves (as reported at Month 6).

Contributions to Grant Reserves (£25.4m net increase in Contributions) (£19.1m at Month 6)

6.17 Economy is contributing £19.2m to Grant Reserves (£19.1m at Month 6).

6.18 Finance and Governance is contributing £0.2m to Reserves related to the Individual Electoral Registration Grant.

6.19 Adult Social Care & Health plan to contribute £5.7m to iBCF Reserves for additional investment in projects that are now likely to be required in 2019/20, rather than 2018/19.

6.20 There is a net contribution of £0.3m to Section 106 reserves.

Use of Other Earmarked Reserves (£16.0m net increase in Use) (£10.3m at Month 6)

- 6.21** Place plan to use reserves of £1.0m relating to the Local Investment Fund (LIF). Expenditure on projects in relation to this, which include conditions of grant aid, will be completed in 2018/19 for which this funding has been specifically set aside, (as reported at Month 6).
- 6.22** At outturn there was a £2.1m corporate contribution to reserves relating to Business Rates compensatory grants which will be used to offset a shortfall as a result of downwards adjustments to these grants by Central Government in 2018/19 as a result of a calculation error on their part. This shortfall became apparent after the budget for 2018/19 was set. (This was reported at Month 6).
- 6.23** Business Rates Top Up Grant that was used in setting the budget for 2017/18 was based on estimated Business Rates Rateable Values used in the Government Calculations for the Final settlement for that year. The 2017/18 Business Rates Top Up Grant was adjusted by Central Government and was included as part of the Final settlement for 2018/19. The Council was made aware of this additional grant of £1.8m towards the end of the year. The Council elected to carry this additional grant forwards to be used in setting the budget for 2018/19. (This was reported at Month 6).
- 6.24** Economy plan to use Policy Contingency underspends from Outturn 2017/18 of £3.9m in total. This relates to the Mobile Investment Fund (£2.1m), Youth Strategy (£0.3m), Youth Promise (£0.1m), HS2 (£0.3m), and Birmingham Jobs Fund (£1.1m). (This was reported at Month 6).
- 6.25** Children & Young People plan to use £1.2m Ring Fenced Reserves related to Special Educational Needs. (This was reported at Month 6).
- 6.26** There is a proposed appropriation from Other Earmarked Reserves of £0.2m in relation to the Collective Investment Fund held on behalf of the WMCA whilst the WMCA awaited receipt of borrowing powers. (This was reported at Month 6).
- 6.27** There is a proposed use of Policy Contingency underspends brought forward from Outturn 2017/18 of £0.2m in relation to the Community Investment Tax Relief (CITR) / Social Investment Tax Relief (SITR) - Arts Fund. This was approved by Cabinet in October 2016. (This was reported at Month 6).
- 6.28** Economy is planning to use £1.0m of other Earmarked Reserves. (This was reported at Month 6).
- 6.29** Children & Young People plans to use £5.6m of Ringfenced Reserves relating to BCT. This is a **£4.5m** net increase on the budgeted total. These are included in the BCT contract sum for 2018/19.

- 6.30** Place plans to use £0.2m of Proceeds of Crime Act (PoCA) reserve to partly fund the expenditure on community and crime prevention projects. The use of this reserve has been approved in November 2018 at the Licensing and Public Protection Committee (LPPC).
- 6.31** Economy plans to use £0.3m of Reserves related to the Clean Air programme to support the carbon reduction agenda.
- 6.32** Children & Young People plans to use £0.4m of Reserves set up using Government funding for the set up, transition, and early stages of the operation of the Children's Trust.
- 6.33** Finance & Governance plan to use £0.2m of the Insurance Reserve to fund the forecast excess of claims in year. This will leave £3.2m in this Reserve.
- 6.34** There is planned use of £0.1m of the Future Council Programme Reserve to fund the costs of the Improvement panel, which is jointly funded by BCC and the Government.
- 6.35** There is a net additional £0.1m use of other Earmarked Reserves.

These uses of Reserves are partially offset by the following:

- 6.36** Finance & Governance is not using a budgeted appropriation from Reserves of £0.9m for the phased introduction of the new structure or a budgeted appropriation from Reserves of £0.3m for Audit, thus reducing its underspend by £1.2m. (This was reported at Month 6).

Contributions to Other Earmarked Reserves (£0.6m net increase in Contributions) (£0.9m at Month 6)

- 6.37** Economy is contributing £1.6m to other Earmarked Reserves (as reported at Month 6).
- 6.38** Strategic Services is not making a planned contribution of £0.7m to the World Indoor Athletics (WIA) Negative Reserve in order to mitigate lower than anticipated outdoor advertising income. The Directorate is expected to generate extra income on outdoor advertising or find alternative ways to make repayment to the negative reserve. (This was reported at Month 6).
- 6.39** £1.0m one-off funding was provided for in the Benefits Service (Housing Benefit Subsidy) to repay £1m use of Subsidy reserve that was expected to be utilised in 2017/18. This was generated by additional Single Person Discount income and this use was agreed by the Interim Chief Financial Officer in 2017/18. However, the £1.0m was not drawn down as anticipated in 2017/18 due to other solutions being identified. As the budget was contingent on repaying the reserve, it is considered that this can be returned corporately, and improve the revenue position by £1.0m.
- 6.40** There is a £0.3m contribution to reserves for insurance monies received in response to a claim for the historic barn that burnt down at Manor Farm Park in order to procure replacement.

6.41 Children & Young People plans to contribute £0.2m to the Schools Financial Services Restructure Reserve to be appropriated to support future pressures on the service and offset potential litigation charges.

6.42 Strategic Services plans to contribute £0.2m to the Benefits Transformation Restructure Reserve to cushion the impact of reductions in the grant for administration of Benefits.

Schools Balances (£0.6m reduction in Contribution) (as reported at Month 6)

6.43 Children & Young People is deferring budgeted repayment of £0.6m to schools balances.

Requests for use of or contribution to Reserves:

It is proposed that Cabinet approve the following uses of Earmarked Reserves:

6.44 The use of £0.03m from the National Indoor Arena (NIA) Track Replacement Reserve to provide towards the 2018/19 costs of Indoor Sports Track Subvention at the NIA for the National Indoor Athletics Championships.

6.45 The use of £0.02m from the Replacement Booking System Reserve to provide for the costs of maintaining the Leisure Flex booking system whilst another system is being procured.

6.46 The use by Economy of £0.3m of Reserves related to the Clean Air programme, as referred to in paragraph 6.31.

6.47 The use of £0.4m of Reserves set up for the early stages of the Children's Trust, as referred to in paragraph 6.32.

6.48 The use by Finance & Governance of £0.2m of the Insurance Reserve, as referred to in paragraph 6.33.

6.49 The use of £0.1m of the Future Council Programme Reserve to fund the costs of the Improvement panel, as referred to in paragraph 6.34.

It is proposed that Cabinet approve the following contribution to Earmarked Reserves:

6.50 To contribute £0.3m to reserves for insurance monies received for the historic barn that burnt down at Manor Farm Park, as referred to in paragraph 6.40.

6.51 To contribute £0.2m to the Schools Financial Services Restructure Reserves, as referred to in paragraph 6.41.

6.52 To contribute £0.2m to the Benefit Transformation Restructure Reserve, as referred to in paragraph 6.42.

Table 7 below shows the forecast use of Reserves in 2018/19 and Table 8 shows the forecast impact on Reserves balances. Both tables assume the reserves movements identified above are approved.

Table 7 (Use of)/Contribution to Reserves as at Month 9

	Planned Base Budget £m	Year End Forecast as at Month 9 £m	Variance £m
Corporate Reserves			
Use of Organisational Transition Reserve (PFS)	(3.902)	(3.902)	0.000
Use of Financial Resilience Reserve	(11.575)	(11.575)	0.000
Use of One Off Resources from Previous Years	(13.250)	(9.250)	4.000
Treasury Management	(1.815)	(1.815)	0.000
Strategic Use of Reserves	(30.542)	(26.542)	4.000
Contribution to Capital Fund	3.326	2.821	(0.505)
Business Rates Appeals	9.349	7.000	(2.349)
Cyclical Maintenance	2.540	2.540	0.000
Commonwealth Games Contingency Reserve	4.746	3.254	(1.492)
Other (Use of)/Contribution to Reserves	19.961	15.615	(4.346)
Sub Total (Use of)/Contribution to Reserves	(10.581)	(10.927)	(0.346)
Repayments - Borrowing Highways PFI	0.985	0.985	0.000
Total Corporate (Use of)/Contribution to Reserves	(9.596)	(9.942)	(0.346)
Other Reserves			
Use of Grant Reserves	(17.894)	(15.403)	2.492
Contribution to Grant Reserves	1.477	26.949	25.472
Use of Other Earmarked Reserves	(5.548)	(21.565)	(16.017)
Contribution to Other Earmarked Reserves	2.364	2.936	0.572
Repayment of Schools' Balances	0.600	0.000	(0.600)
Use of Carry Forward Balances	(0.025)	(0.025)	0.000
Total Other (Use of)/Contribution to Reserves	(19.027)	(7.108)	11.919
Total (Use of)/Contribution to Reserves	(28.623)	(17.049)	11.574

Table 8 Forecast Impact on Reserve Balances

	Outturn 2017/18 £m	Planned Base Budget (Use)/Contribution to Reserves £m	(Use)/Contribution to Grant Reserves Approved at Outturn £m	Further (Use)/Contribution to Reserves Approved in Year £m	Forecast Balance as at 31 March 2019 £m
Organisational Transition Reserve	41.486	(3.902)	0.000	0.000	37.584
Financial Resilience Reserve	98.283	(11.575)	0.000	0.000	86.708
General Fund Balance	28.944	0.000	0.000	0.000	28.944
Carry Forward Balances	1.755	(0.025)	0.000	0.000	1.730
Schools' Reserves	35.827	0.600	0.000	(0.600)	35.827
Strategic Other Earmarked Reserves	74.344	4.896	0.000	(0.346)	78.894
Other Earmarked Reserves	56.513	(3.185)	(14.378)	(1.066)	37.884
Grant Reserves	171.984	(15.432)	6.743	21.221	184.515
	509.136	(28.623)	(7.635)	19.209	492.087

Write-offs**a. Sundry Debt Write-off**

Cabinet is requested to approve the writing off of debts greater than £0.025m due to the Council, totalling £0.735m. Table 1 details the nature of the debt.

Table 1: Sundry Debt Write-off

Directorate/ Service Area	Invoice Date(s) or	Amount (£)	Nature of the Debt
Place / Shelforce	Jan 2018- Mar 2018	121,587.60	Supply of PVCU windows for the period
Adult Social Care and Health / Client Financial Services	Feb 2015 – Dec 2018	87,015.07	Social care charges for home support
Adult Social Care and Health / Client Financial Services	Aug 2015 – Dec 2018	80,803.29	Social care charges for residential care
Adult Social care and Health / Client Financial Services	Dec 2015 – Nov 2018	64,222.73	Social care charges for residential care
Adult Social Care and Health / Client Financial Services	Dec 2015 - Dec 2018	54,954.54	Social care charges for residential care
Economy Directorate/ BPS	Dec 2016 – March 2018	41,075.34	Commercial Rent
Adult Social Care and Health / Client Financial Services	Jan 2015 - Mar 2016	39,497.14	Social care charges for home support
Place Directorate / Markets	Sep 2017 - May 2018	38,793.94	Market rent charges
Adult Social Care and Health / Client Financial Services	May 2015 - Dec 2018	34,339.51	Social care charges for residential care
Adult Social Care and Health / Client Financial Services	Mar 2016- Sep 2018	31,891.90	Social care charges for home support
Adult Social Care and Health / Client Financial Services	Oct 2016 – Dec 2018	31,546.59	Social care charges for home support
Adult Social Care and Health / Client Financial Services	Sept 2015 - Jul 2018	28,531.41	Social care charges for residential care
Adult Social Care and Health / Client Financial Services	July 2011 – June 2015	27,312.77	Social care charges for home support
Adult Social Care and Health / Client Financial Services	Jun 2015 - Jun 2018	26,852.15	Social care charges for residential care
Adult Social Care and Health / Client Financial Services	Oct 2014 – July 2016	26,769.16	Social care charges for home support

b. Irrecoverable Housing Benefit

In circumstances where Housing Benefit overpayments are identified as not being recoverable, or where recovery is deemed uneconomic, the City Council's Financial Regulations and delegated powers allow for these overpayments and income to be written off. All possible avenues must be exhausted before such write offs are considered. Amounts already written off will still be pursued should those owing the Council money eventually be located or return to the city.

The cost to the Council of writing off these irrecoverable sums will be charged to the City Council's provision set up for this purpose, which includes sums set aside in previous years to meet this need. There is no direct effect on the revenue account.

In 2018/19, from 1st October up to 31st December 2018, further items falling under this description in relation to Benefit overpayments have been written off under delegated authority. The table below details the total approved gross value of these amounts written off of £0.7m, which Members are asked to note.

Age analysis	Up To 2012/13	2013/14 to 2015/16	2016/17 to 2018/19	Total
	£m	£m	£m	£m
Benefit Overpayments	0.017	0.104	0.557	0.689
Total	0.017	0.104	0.557	0.689

Section (e) of this Annex gives a more detailed age analysis of overpayments and income written off.

c. Irrecoverable Council Tax & Business Rates

All Council Tax and Business Rates are due and payable. However, there are certain instances where the amount of the bill needs to be either written off or reduced (e.g. where people have absconded, have died, have become insolvent or it is uneconomical to recover the debt).

If an account case is subject to this, then consideration is given to write the debt off subject to the requirement to consider all options to recover the debt, prior to submitting for write off. However, once an account has been written off, if the debtor becomes known to the Revenues Service at a later date, then the previously written off amount will be reinstated and pursued.

In respect of Business Rates, where a liquidator is appointed, a significant period of time is taken to allow for the company's affairs to be finalised and to subsequently determine if any monies are available to be paid to creditors. Once it is established this is not to happen, a final search of Companies House is undertaken to confirm the company has been dissolved.

Cabinet are requested to approve the writing off of business rates debts to the Council which are greater than £0.025m, totalling £1.74m as detailed in Section (d) of this Annex. Further information in respect of these is available on request.

Annex 6

In 2018/19, from 1st October 2018 to 31st December 2018, further items falling under this description have been written off under delegated authority. The table below details the total approved gross value of these amounts written off of £3.1m for Council Tax and £1.3m for Business Rates, which Members are asked to note.

Age analysis	Up To 2012/13	2013/14- 2015/16	2016/17- 2018/19	Total
	£m	£m	£m	£m
Council Tax	0.403	1.915	0.765	3.083
Business Rates	1.261	-	-	1.261
TOTAL	1.664	1.915	0.765	4.344

Section (f) of this Annex gives a more detailed age analysis of overpayments and income written off.

d. Write OffsBusiness Rates

Case No.	Supporting Information	Total Debt
	<u>Business Rates</u> Further information in respect of the Business Rates Write Offs listed below is available on request.	
1	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 01/04/09 to 20/11/11 – 6004108847	£28,403.63
2	Liability Period(s)/Account Ref Number(s) Property 1 - Business Rates due for the period 12/02/10 to 20/01/11 - 6004580710 - £31,172.74 Property 2 - Business Rates due for the period 01/02/11 to 04/04/12 - 6004809823 - £37,713.07	£68,885.81
3	Liability Period(s)/Account Ref Number(s) Property 1 - Business Rates due for the period 05/08/09 to 04/10/12 – 6004622079 - £17,826.69 Property 2 Business Rates due for the period 05/08/09 to 09/03/13 – 6004622080 - £27,153.08	£44,979.77
4	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 01/11/09 to 31/07/11 – 6004695598	£48,801.44
5	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 01/07/09 to 22/05/11 – 6004695690	£35,653.28
6	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 02/09/09 to 19/12/12 – 6004710698	£30,407.30
7	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 15/01/10 to 23/02/12 – 6004728732	£36,641.86
8	Liability Period(s)/Account Ref Number(s) Property 1 - Business Rates due for the period 09/11/09 to 12/05/11 – 6004798116 - £19,483.12 Property 2 - Business Rates due for the period 20/09/09 to 04/05/10 – 6005172843 - £62,847.09	£82,330.21
9	Liability Period(s)/Account Ref Number(s) Property 1 - Business Rates due for the period 22/07/09 to 31/01/12 – 6004730049 - £25,571.27 Property 2 - Business Rates due for the period 23/07/09 to 31/01/12 – 6004729699 - £7,862.16	£33,433.43
10	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 01/10/09 to 01/10/11 - 6004820766	£25,828.52
11	Liability Period(s)/Account Ref Number(s) Property 1 - Business Rates due for the period 01/12/09 to 30/04/13 – 6005584092 - £17,061.99 Property 2 - Business Rates due for the period 01/12/09 to 30/04/13 – 6005598065 - £57,508.89	£74,570.88
12	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 06/08/09 to 16/02/14 – 6005243849	£60,568.29
13	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 09/01/10 to 14/08/12 – 6005319011	£113,330.97
14	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 01/04/09 to 05/01/14 – 6005438146 - £36,587.54 Business Rates due for the period 24/01/11 to 14/10/14 – 6005477321 - £18,427.26	£55,014.80

Annex 6

15	Liability Period(s)/Account Ref Number(s) Property 1 - Business Rates due for the period 01/04/09 to 30/06/12 – 6004849625 - £96,587.05 Property 2 - Business Rates due for the period 01/04/14 to 07/01/15 – 6005031269 - £71.69	£96,658.74
16	Liability Period(s)/Account Ref Number(s) Property 1 - Business Rates due for the period 09/10/09 to 18/11/12 – 6004810239 - £280,583.12 Property 2 - Business Rates due for the period 01/04/13 to 06/07/13 – 6004405718 - £15,417.22	£296,000.34
17	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 01/07/08 to 31/05/10 - 6004611196	£25,837.07
18	Liability Period(s)/Account Ref Number(s) Property 1a - Business Rates due for the period 25/03/10 to 04/04/11 – 6004888253 - £57.97 Property 2a - Business Rates due for the period 25/03/10 to 04/04/11 – 6004888286 - £12,429.99 Property 3a - Business Rates due for the period 25/03/10 to 04/04/11 – 6004888297 - £27,928.13 Property 4a - Business Rates due for the period 25/03/10 to 04/04/11 – 6004888344 - £5,357.39 Property 5a - Business Rates due for the period 25/03/10 to 04/04/11 – 6004888355 - £15,020.95 Property 6a - Business Rates due for the period 25/03/10 to 04/04/11 – 6005768825 - £40.22 Property 1b - Business Rates due for the period 04/04/11 to 31/03/12 – 6004939193 - £5,350.28 Property 2b - Business Rates due for the period 04/04/11 to 11/03/13 – 6004939160 - £22,904.63 Property 3b - Business Rates due for the period 04/04/11 to 11/03/13 – 6004939159 - £50,920.04 Property 4b - Business Rates due for the period 04/04/11 to 11/03/13 – 6004939182 - £10,774.13 Property 5b - Business Rates due for the period 04/04/11 to 11/03/13 – 6004939115 - £27,433.21 Property 6b - Business Rates due for the period 04/04/11 to 11/03/13 – 6005845765 - £7,319.66	£185,536.90
19	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 09/01/10 to 30/11/11 - 6005065649	£26,734.89
20	Liability Period(s)/Account Ref Number(s) Property 1 - Business Rates due for the period 14/08/10 to 15/09/15 – 6004911351 - £16,208.64 Property 2 - Business Rates due for the period 10/06/09 to 09/03/14 – 6005043963 - £13,803.13 Property 3 - Business Rates due for the period 01/09/12 to 15/09/15 – 6005043952 - £34,371.84 Property 4 - Business Rates due for the period 01/04/14 to 30/06/14 – 6005438340 - £821.99	£65,205.60
21	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 18/08/10 to 24/07/12 - 6004677110	£39,860.03
22	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 03/09/10 to 28/02/12 - 6004619010	£75,269.74
23	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 15/01/10 to 31/03/14 – 6004598525	£35,140.27
24	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 01/02/11 to 02/08/12 – 6004920921	£25,013.57
25	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 23/03/11 to 11/01/13 – 6004697594	£64,899.93
26	Liability Period(s)/Account Ref Number(s) Business Rates due for the period 08/11/10 to 03/08/11 – 6004684273	£63,984.76
TOTAL		£1,738,992.03

e. Age analysis of Overpayments and Debts written off under delegated authority by Revenues and Benefits Division

Detail	Pre 2008	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Total	No of Debtors
Housing Benefit debts written off under delegated authority	£3,379	£3,468	£219	£2,243	£2,220	£6,943	£25,265	£31,577	£57,023	£94,849	£129,830	£331,985	£689,001	1262
TOTAL	£3,379	£3,468	£219	£2,243	£2,220	£6,943	£25,265	£31,577	£57,023	£94,849	£129,830	£331,985	£689,001	1262

Debt Size							
Small		Medium		Large		Total	
Cases	>£1,000	Cases	£1,001- £5,000	Cases	£5,000- £25,000	Cases	
1110	£225,954	133	£295,492	19	£167,555	1262	£689,001

f. Age analysis of overpayments and debts written off under delegated authority by Revenues and Benefits Division

Detail	1997-2006/7	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Council tax written off under delegated authority	£21,551	£6,621	£10,144	£18,373	£41,726	£51,401	£253,195	£556,980	£739,190	£618,732	£493,685	£268,754	£2,665	£3,083,017
Business rates written off under delegated authority	£202	£15,099	£53,711	£35,767	£110,062	£432,910	£612,973	-	-	-	-	-	-	£1,260,725
TOTAL	£21,753	£21,720	£63,855	£54,140	£151,788	£484,311	£866,168	£556,980	£739,190	£618,732	£493,685	£268,754	£2,665	£4,343,742

Debt size analysis of overpayments and debts written off under delegated authority by Revenues and Benefits Division

Grouped by value	Small (<£1,000)		Medium (£1,000 - £5,000)		Large (>£5,000)		TOTAL	
	Value	Cases	Value	Cases	Value	Cases	Value	Cases
Council Tax written off under delegated authority	£2,646,024	6,574	£436,993	346	-	-	£3,083,017	6,920
Business Rates written off under delegated authority	£66,291	163	£522,996	198	£671,438	73	£1,260,725	434
TOTAL	£2,712,315	6,737	£959,989	544	£671,438	73	£4,343,742	7,354

Reserves Policy

1. Background

- 1.1 The purpose of this policy is to set out how the City 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 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 City 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 close down 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 the table below. The balance of this reserve is to provide contingency fund in case the Council faces financial difficulties in the future.

Table 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 Fund 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 Ring Fenced Reserves:

4.3.6 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:

4.3.7 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.

4.3.8 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 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.

4.3.9 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 statute. 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 The table below shows the level of approval required to use or contribute to usable reserves.

Table 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.