

BIRMINGHAM CITY COUNCIL

RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

THURSDAY, 18 JUNE 2020 AT 14:30 HOURS
IN ON-LINE MEETING, [VENUE ADDRESS]

A G E N D A

1 NOTICE OF RECORDING/WEBCAST

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

2 APOLOGIES

To receive any apologies.

3 DECLARATIONS OF INTERESTS

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

3 - 8

4 ACTION NOTES - 12 MARCH 2020

To confirm the action notes of the meeting held on 12 March 2020.

9 - 116

5 FINANCIAL OUTTURN 2019/20

To consider the Cabinet report (considered on 23 June) on the City Council financial outturn 2019/20.
(This item was marked as report to follow. The report has now been attached)

117 - 130

6 BIRMINGHAM CHILDREN'S TRUST OUTTURN 2019/20

To consider the Cabinet report (considered on 26 May) on the Children's Trust financial outturn 2019/20.

7 **BUDGET IMPLICATIONS OF COVID-19 ACTIVITY**

To consider the implications for the City Council's budget of the response to the Covid-19 pandemic.

8 **DATE OF NEXT MEETING**

To note that the next meeting will be held on Thursday 16 July 2020.

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

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

10 **OTHER URGENT BUSINESS**

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

11 **AUTHORITY TO CHAIRMAN AND OFFICERS**

Chairman to move:-

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

BIRMINGHAM CITY COUNCIL

RESOURCES O&S COMMITTEE – PUBLIC MEETING

1400 hours on Thursday 12 March 2020, Committee Room 6

Present:

Councillor Sir Albert Bore (Chair)

Councillors: Muhammed Afzal, David Barrie, Meirion Jenkins, Yvonne Mosquito, Paul Tilsley and Lisa Trickett

Also Present:

Michael Furness, Head of City Finance – Corporate Finance (Revenue)

James Hamilton, Project Director, B2022 Capital Programme

Ian MacLeod, Director of Inclusive Growth

Guy Olivant, Major Developments Lead

Sara Pitt, Assistant Director, Service Finance

Mike Smith, Head of Commissioning and Procurement

Richard Tibbatts, Head of Contract Management

Jayne Bowles, Scrutiny Officer

Emma Williamson, Head of Scrutiny

1. NOTICE OF RECORDING/WEBCAST

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2. APOLOGIES

Apologies were received from Councillor Brett O'Reilly.

3. DECLARATIONS OF INTERESTS

None.

4. ACTION NOTES – 10 FEBRUARY 2020 AND 13 FEBRUARY 2020

(See documents 1 and 2)

RESOLVED:-

The action notes of 10 February 2020 and 13 February 2020 were agreed.

5. FINANCIAL MONITORING 2019/20 – MONTH 10

(See documents 3 and 4)

Sara Pitt, Assistant Director, Service Finance, and Michael Furness, Head of City Finance – Corporate Finance (Revenue) attended for this item.

The following were amongst the main points raised:

- The Chair referred to the overspend in the Neighbourhoods Directorate and expressed concern that in Month 2 the directorate would not be in the position as stated in the Financial Plan (see extract below):

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

- A number of specific service-related issues were raised and the Chair suggested that the Neighbourhoods Directorate be invited to the next meeting to provide answers on key future years issues;
- Members were told that all pressures have been factored into the budget, although it is possible that other areas will emerge;
- The point was made that it would be helpful if there was a sentence at the beginning of the Key Future Years Issues section explaining that;
- With regard to non-delivery of savings, there had been an exercise carried out as part of the budget-setting process, whereby undeliverable savings had been taken out;
- The Chair told Members that he would be meeting with Sara Pitt to discuss the transparency of reports, which would provide this committee with the clarity needed to pass on service delivery issues to the other O&S committees;
- Members were concerned that underspends in certain areas, for example adult social care, were being used to subsidise areas which are overspending;
- It was stressed that, whilst this does have an effect on the reported bottom line, budgets are not moved around;
- In response to a question about any additional funding for Acivico, Members were told that the aim is to put the company on an even footing to make it tenable and money would be given to them if required, with an understanding of the issues, although this is not currently expected;
- This may be a topic to look at in a future meeting.

RESOLVED:-

- Neighbourhoods Directorate to be invited to the next committee meeting;
- The report was noted.

At this point, the Chair advised Committee that he was considering re-ordering the agenda to take item 7 “Funding of the Commonwealth Games” next so that any relevant issues raised under that item could be fed into item 6 “Procurement and Contract Management”. However, as the officers attending for item 7 were currently in a CWG Capital Board Meeting, the Chair suggested, and Committee agreed, to take items 8 and 9 first.

6. ICT CHANGES WORKING GROUP – REVIEW OF IT IMPLEMENTATIONS

(See document 5)

The Chair briefly introduced this item, the background to the establishment of the working group and the findings contained in Cllr Jenkins’s letter.

Cllr Jenkins declared an interest due to the nature of his work and then went on to highlight the main points:

- Officers have done all they can on the Oracle ERP implementation, however there is a need to keep an eye on costs and overrun;
- With regard to licences, there is no other viable option than Cloud and officers have taken sensible steps in agreeing a 5/7 year price deal.

It was agreed that the letter would be sent to the Cabinet Member and relevant officers and that an update on progress with implementation of the ERP system would be programmed for six months’ time.

RESOLVED:-

- Cllr Jenkins’s letter to be sent to the Cabinet Member and relevant officers;
- Update on progress with implementation of the ERP system to be programmed for six months’ time;
- The report was noted.

7. WORK PROGRAMME

(See document 6)

The Chair confirmed that there was currently nothing programmed for the April meeting, however, as suggested under agenda item 5, the Neighbourhoods Directorate would be invited to address issues raised in this and previous meetings.

RESOLVED:-

The work programme was noted.

8. FUNDING OF THE COMMONWEALTH GAMES

(See documents 7, 8 and 9)

Ian MacLeod, Director of Inclusive Growth, Guy Olivant, Major Developments Lead, and James Hamilton, Project Director, B2022 Capital Programme, attended for this item.

In the course of the discussion, and in response to Members' questions, the following were amongst the main points raised:

- With regard to partner contributions, the Chair noted that there was no change in the figures from the November report;
- Guy Olivant confirmed that the figure remains at £54m as in November, but pointed out that detailed legal agreements and operational detail had been further developed and the outstanding contributions were being sought;
- Members were concerned that if no further contributions were forthcoming, the council would have to fill the gap;
- Discussions are on-going with the Black Country LEP to make the case regarding benefits to the Black Country, however Members questioned what the incentive is as they will benefit from the Games whether they contribute or not;
- In response to a question about the contribution from the Community Infrastructure Levy (CIL) and whether all of the CIL budget would be used, Members were told that it is not all focussed on the Games. The CIL will continue to grow and there is also a review going on at present and the charge might be raised;
- The second report details significant revenue funding coming from the council;
- Members were told that this is only part of the story and there will be significant housing and commercial development on the back of the Games which will bring in receipts;
- In order to give a balanced picture, officers undertook to bring a further report to committee to provide an indication of the new homes bonus and council tax etc;
- Turning to the Cabinet report on the revised Perry Barr Regeneration Scheme, the Chair referred to the fact that the report was not subject to call-in and queried the process;
- In response, Members were told that the original Full Business Case allocated the budget and this Revised Full Business Case was needed because Plot 1 exceeds that budget;
- They were further advised that the decision could not have been taken earlier and the timescales were challenging, with some difficult decisions having to be made, due to the council stepping in at a late stage to host the CWG;
- It was suggested that the Government would not allow this to fail and approaches should be made to secure further funding;
- Members expressed concern that timing issues were resulting in reports being exempt from call-in, not just with the CWG but in other instances as well;
- The Chair confirmed that the focus of this committee is on resources and acknowledged that where necessary other O&S committees, for example Economy and Skills, were receiving reports;
- It was agreed that a further suite of reports would be presented to Committee in July to update on the funding position.

RESOLVED:-

- Update on funding position to be presented to Committee in July;

- The report was noted.

9. PROCUREMENT AND CONTRACT MANAGEMENT

(See documents 10 and 11)

Mike Smith, Head of Commissioning and Procurement, and Richard Tibbatts, Head of Contract Management, attended for this item.

Richard Tibbatts referred to the Procurement and Contract Management Overview paper which had been provided and made the following points:

- Procurement is never a linear process and it varies depending on the complexity of the project and any vehicle/policy changes;
- EU and procurement governance arrangements are not easy to navigate and there are push/pull dynamics due to the size of the organisation;
- The main challenges are officer understanding and stakeholder capacity (time commitment versus “business as usual”) and this can stretch timescales;
- A Procurement Maturity Assessment Review is currently being undertaken by PWC and there is a journey of continuous improvement.

In the course of the discussion, and in response to Members’ questions, the following were amongst the main points raised:

- The Chair referred to the procurement process for the Waste Contract and advised Committee that the Chair of the Sustainability and Transport O&S Committee had written to the Cabinet Member regarding the use of delegated authority from 2018;
- In the light of the concerns raised in this case, it was agreed that Committee would ask Co-ordinating O&S Committee to look at a change to the Constitution to set a time limit for delegate authority (or to review after a certain time);
- Members were told that the time between delegated authority and procurement is dependent on the complexity of the market and reviewing policy too close to contract end dates is an issue;
- Reference was made to the recent call-in in respect of the Single Contractor Negotiations for the CAZ Mitigations Application and Case Management System and whether the correct process had been followed, with Members agreeing that the Constitution needs to be made clearer;
- Members expressed concern that too often the need for quick decisions to be made might be overriding good governance or transparency requirements and this has been highlighted again today with regard to the CWG Athletes Village Plot 1, where the report was exempt from call-in;
- In response to a question about contracts being rolled over (eg Travel Assist), Members were told that the procurement *process* is different to a procurement *project*. The process is the back end of a long stage and the timeline is set from day 1;
- The spotlight here is on Procurement, but the failings are sometimes in service areas;

- They endeavour not to rollover contracts at all, but ultimately, due to resources, it does sometimes happen when there is no alternative in place (as with Travel Assist);
- The Chair referred to the Planned Procurement Activities Report to Cabinet and pointed out that this does not come to this committee even though the reports state that there has been no response or comments from Resources O&S Committee;
- Committee agreed that this should be a standing item on the agenda so that Members can note the timing of these matters and flag delays.

RESOLVED:-

- Co-ordinating O&S Committee be asked to look at a change to the Constitution to set a time limit for delegated authority (or review after a certain time);
- Planned Procurement Activities Reports to be shared with Resources O&S Committee before they are presented to Cabinet.

10. DATE AND TIME OF NEXT MEETING

Noted.

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

None.

12. OTHER URGENT BUSINESS

Cllr Tilsley requested that, in view of the current situation with Coronavirus, arrangements be made for the microphones to be cleaned before and after future meetings.

13. AUTHORITY TO CHAIRMAN AND OFFICERS

RESOLVED:

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

The meeting ended at 1644 hours.

Birmingham City Council

Report to Cabinet

23RD JUNE 2020



Subject: FINANCIAL OUTTURN 2019/20
Report of: Chief Finance Officer – Rebecca Hellard
Relevant Cabinet Member: Councillor Tristan Chatfield – Finance & Resources
Relevant O & S Chair(s): Councillor Sir Albert Bore - Resources
Report author: Chief Finance Officer – Rebecca Hellard

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007453/2020		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

- 1.1 This report forms part of the City Council's robust arrangements for controlling its revenue and capital expenditure.
- 1.2 The report presents the City Council financial position for 2019/20, including the Revenue Outturn and Capital Outturn for the General Fund; the Treasury management Annual Report; the Housing Revenue Account Outturn; and the Collection Fund Outturn.
- 1.3 Each Directorate's financial performance at Outturn is shown in the Corporate Revenue and Capital Budget Monitoring documents, which are appended to this report as Appendices A and B.

- 1.4 The Treasury Management Annual Report is appended to this report as Appendix C.
- 1.5 The Housing Revenue Account outturn is appended to this report as Appendix D.
- 1.6 The outturn position on the Collection Fund is appended to this report as Appendix E.

2 Recommendations

That the Cabinet:-

- 2.1 Notes the City Council's Outturn position for 2019/20, as detailed in the report and appendices (the finalisation of the figures is subject to External Audit)
- 2.2 Approves the use of Grant and Earmarked Reserves and Balances set out in paragraph 3.13 and 3.14.
- 2.3 Approves the reallocation between Grant Reserves and General Balances set out in paragraphs 3.15.
- 2.4 Approves the reallocation between General Balances and Corporate Earmarked Reserves set out in paragraphs 3.16 and 3.17.
- 2.5 Approves the resource allocation with Specific Policy Contingency as set out in paragraph 3.18.
- 2.6 Approves the resource allocations within General Policy Contingency as set out in paragraphs 3.19.1 to 3.19.3.
- 2.7 Approve the proposal in paragraph 3.20 that the Section 151 Officer be given delegated authority for the verification and allocation of Specific Policy contingency to fund expenditure in 2020/2021 which is in line with the Council's approval of the Council Financial Plan 2020-2024.
- 2.8 Approve the financing of capital expenditure for 2019/20 as set out in Appendix B.
- 2.9 Note the outturn position on the Collection Fund as set out in Appendix E.

3 Background

- 3.1 At the meeting on 26th February 2019, the Council agreed a net revenue budget for 2019/20 of £851.6m to be met by government grants, council tax and business rates payers.
- 3.2 The appendices of this report provide information about the 2019/20 outturn position of the Council, which will subsequently be incorporated into the Council's audited 2019/20 Statement of Accounts, which are statutorily due for publication by 30 November. Audit Committee will consider for approval the statement of

accounts at its meeting on 24 November, subject to the external audit having been completed.

- 3.3 **Appendix A** is the **Revenue Outturn**. The overall position shows an underspend of £11.5m and is summarised in Table 1. Subject to approval this underspend will be used to increase the balance of the Financial Resilience Reserve.

Table 1	A	B	C = B - A	D			E = C + D
Directorate	Final Revised Budget	Outturn Position	Outturn Variation [+ over / - (under)]	Proposed Year End Transfers to / (from) reserves			In Year Variation (under) / over spend
	£m	£m	£m	Grant £m	Other £m	Total £m	£m
Adult Social Care Directorate	331.396	317.603	(13.794)	1.067	0.000	1.067	(12.727)
Digital & Customer Services	31.388	28.665	(2.723)	0.000	2.741	2.741	0.018
Education & Skills	274.563	272.545	(2.017)	1.848	0.823	2.671	0.654
Finance & Governance Directorate	25.619	20.511	(5.108)	0.000	4.072	4.072	(1.036)
Human Resources	7.369	5.784	(1.585)	0.000	0.501	0.501	(1.084)
Inclusive Growth	98.287	110.045	11.758	(11.102)	(0.291)	(11.393)	0.365
Neighbourhoods	108.476	125.508	17.032	1.999	0.240	2.240	19.272
Partnerships, Insight and Prevention	6.788	4.502	(2.286)	2.055	0.000	2.055	(0.231)
Directorate Subtotal	883.884	885.162	1.278	(4.133)	8.087	3.953	5.231
Corporate Subtotal	(32.294)	(57.144)	(24.850)	0.391	7.733	8.125	(16.725)
City Council General Fund	851.590	828.018	(23.572)	(3.742)	15.820	12.078	(11.494)

- 3.4 The base budget variations in each Directorate are detailed in Section 2 and Annexes 1-8 of the Corporate Revenue Budget Monitoring document attached as Appendix A. The position is summarised in tabular form in Annex 2 which incorporates the year end pressures by Directorate.
- 3.5 Directorate risks relating to the Savings Programme and measures undertaken to alleviate these are detailed in Section 3 and the position is summarised in tabular form in Annex 3.

Highlights include:

- **An overall £11.5m underspend, which will increase the Financial Resilience Reserve.**
- **An £17.9m underspend on the base budget principally from significant underspends in Adult Social Care (£12.7m) and Corporate budgets (£16.7m), partly offset by a significant overspend in Neighbourhoods (£19.3m).**
- **£41.4m savings were delivered in 2019/20. £17.9m were not delivered, partly offset by £10.4m of one-off mitigations. This is set out in Appendix A Section 3 paragraphs 3.1 to 3.2.**

- 3.6 There has been an overall improvement of £10.0m on the forecast underspend of £1.5m reported to Cabinet at Month 9.

Estimated impact of Covid-19 Emergency in 2019/20

- 3.7 Whilst the main impact of the Covid-19 emergency will be seen in the 2020/21 financial year there has been a more limited impact in the final weeks of 2019/20. The reported outturn position takes account of the £0.9m of expenditure and an estimated £0.5m of lost income. Increases to specific bad debt provisions totalling £8.3m have been made for council tax and business rate income in the Collection Fund, £0.5m for housing rents in the Housing Revenue Account as well as £1.9m for housing benefit overpayments. To reflect the risk to the remaining income streams in the General Fund, a further corporate bad debt provision of £3.2m has been established, in addition to the normal bad debt provisions.
- 3.8 The Council received £38.7m in March 2020 as the first tranche of un-ringfenced government grant to support councils with Covid-19 financial expenditure. This funding will be held in a reserve and be applied against the significant Covid-19 financial pressures in 2020/21. The Covid-19 financial impact in 2019/20 has therefore been met from the years' underspend. A second tranche of £31.6m was received in May 2020. This takes the current total of un-ringfenced government funding to be applied in 2020/21 to £70.3m. Note that based on current forecasts of financial pressures and risks this funding is insufficient, resulting in a significant shortfall forecast for 2020/21.
- 3.9 In context of the Covid-19 emergency it is prudent to increase the Financial Resilience Reserve with the £11.5m underspend in the 2019/20 outturn.

Schools

- 3.10 The Dedicated Schools Grant (DSG) is reporting a balanced position at outturn after a net recommended appropriation to reserves of £1.4m. More details are provided in Annex 1.
- 3.11 The DFE Consultation on the implementation of new arrangements for reporting DSG deficits will require all local authorities with a cumulative overspend on DSG provision in excess of 1% 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.
- 3.12 At 2019/20 out-turn the accumulated deficit on DSG is £8.4m which equates to 0.7% of the total DSG budget. This is below the 1% threshold and therefore the Council does not have to make a formal return to the DFE. However, it recognises the need to reduce the Higher Needs deficit (which is an accumulated deficit of £14.0m at 2019/20 out-turn) and it has been agreed at January 2020 Schools Forum that this deficit will be repaid by the High Needs Block over the next 3 years at £5m a year starting in 2020/21.

Reserves

- 3.13 The original budget provided for the use of £5.9m of General Reserves to fund the additional costs arising from a retrospective change in the Council Minimum Revenue Provision Policy (MRP) approved by the Council in February 2018. Taking into account the proposed movement of the £11.5m underspend into the Financial Resilience Reserve, there is a net contribution to General Reserves of £5.6m in 2019/20.
- 3.14 In addition, there are both planned uses of Other Reserves and contributions to Other Reserves. A £21.1m net use of Other Reserves was approved as part of setting the budget. At Month 9, Cabinet approved a net contribution of £66.2m. This was a £87.3m approved net increase in contributions to Other Reserves. This largely related to transfers in to the Underpayments and Disputed Sum Reserve related to the Highways PFI Contract. At Outturn, there are £43.3m further net contributions to Other Reserves proposed, largely related to Government funding for the costs of Covid-19 received at the end of the financial year. Further details of all uses of and contributions to reserves are set out in Appendix A Section 4 and Appendix A Annex 11.
- 3.15 It is proposed to transfer £2.6m from the Financial Resilience Reserve to create a Leasing Reserve to cover technical accounting adjustments as set out in Appendix A Section 4 paragraph 4.7.
- 3.16 It is proposed to transfer £0.5m from the Financial Resilience Reserve back to the Policy Contingency Reserve in order to meet costs related to Birmingham Museum and Art Gallery as set out in Appendix A Section 4 paragraph 4.8.

Policy Contingency

- 3.17 It is proposed to utilise £7.0m of Specific Policy Contingency to fund Birmingham Childrens Trust Contract Variation, as set out in Appendix A Annex 10 paragraph 2.2
- 3.18 It is proposed to utilise General Policy Contingency to fund the following:
- 3.19.1 £0.1m of fund an Independent Review to look at the future service options for the Waste Management Service, as set out in Appendix A Annex 10 paragraph 2.1.
 - 3.19.2 £0.4m of General Policy Contingency to fund response by Environmental Health to a public safety emergency called by West Midland Fire Service, as set out in Appendix A Annex 10 paragraph 2.1.
 - 3.19.3 £0.2m of General Policy Contingency to fund a Birmingham Community Investment Tax Relief (CITR) scheme to be run in partnership with Aston Reinvestment Fund (ART), as set out in Appendix A Annex 10 paragraph 2.1
- 3.19 It is recommended that the S151 Officer be given delegated authority for the verification and allocation of Specific Policy Contingency to fund expenditure in

2020/21 which is in line with the approval given as part of the Council Financial Plan 2020-2024 as described in Appendix A Annex 10 paragraph 2.4.

- 3.20 **Appendix B** is the **Capital Outturn**. For 2019/20, the outturn was £432.234m against the Quarter 3 revised budget of £636.159m.
- 3.21 The Council meeting of the 26th February 2019 agreed a 2019/20 capital budget of £631.505m. Over the course of the financial year the capital programme has been revised to take account of new projects and programmes as approved by Cabinet.
- 3.22 The appendices of this report provide information about the Capital Outturn position for 2019/20 and the reasons for the variations between the Quarter 3 approved budget of £636.159m and the outturn of £432.324m. A summary is shown below.

	£m Previous Quarter 3	£m Qtr 4 Movements	£m Annual Total
2019/20 Original Budget	631.505		631.505
Change in budget	4.654	0.000	4.654
2019/20 Revised Budget	636.159	0.000	636.159
Less: Cumulative Slippage	(134.687)	(80.389)	(215.076)
Less: Forecast/actual (under) / overspends	1.029	10.212	11.241
Equals: Outturn	502.501	(70.176)	432.234

- 3.23 **Appendix C** is the **Treasury management Annual Report**. The Council's total loan debt net of investments was £2,998.3m at the year end (£3,213.3m at 31 March 2019) compared with £3,532.7m expected in the Council Budget 2019+. This reflects slippage in capital expenditure and other cash flows resulting in lower than planned borrowing.
- 3.24 City Council treasury investments held at 31st March 2020 were £246.6m. The Council also held investments of £104.4m as accountable body.
- 3.25 Loan interest repayment charges and associated costs totalled £265.8m gross. The outturn on the Treasury Management budget was £112.3m after recharges to other services; this was £2.6m above the budget of £109.7m. This was due largely to the capital programme slippage being offset by lower than budgeted borrowing cost recharges.
- 3.26 The Council did not breach any of its prudential limits set under the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance.
- 3.27 **Appendix D** summarises the **Housing Revenue Account Outturn**. This shows a year end surplus of £3.0m before transfers to carry forward balances, which is

summarised below and explained in Appendix D. The surplus has been transferred to accumulated balances.

	Current Budget	Outturn	Outturn Over/ (Under)
	£m	£m	£m
Total Income	(274.075)	(275.136)	(1.061)
Repairs	61.697	58.889	(2.808)
General Management	72.984	68.195	(4.789)
Estate Services	18.296	18.358	0.062
Revenue Funding of Capital	51.249	58.531	7.282
Capital Financing	69.849	68.045	(1.804)
Total Expenditure	274.075	272.018	(2.057)
Total (Surplus) / Deficit	0.000	(3.118)	(3.118)
Appropriation to Carry Forward Balances	0.000	3.118	3.118
Net Position	0.000	0.000	0.000

- 3.28 **Appendix E** summarises the **Collection Fund Outturn**. The 2019/20 Council Tax outturn shows that the position, including the brought forward balance, gave a surplus of £3.9m. This compares to a surplus of £7.0m forecast when setting the 2020/21 budget. The variation from the forecast position was largely due to increases in Bad Debt provision related to Covid-19 and increases in reliefs. The Council's share of this outturn surplus was £3.4m (which was £2.7m less than that assumed when setting the 2020/21 budget). This is reflected in Appendix E paragraph 2.3.
- 3.29 The 2019/20 Business Rates outturn deficit was £17.0m compared with the £15.5m forecast when setting the 2020/21 budget. The variation from the forecast position was largely due to increases in bad debt provision related to Covid-19 and increases in reliefs, offset by reduction in the anticipated appeals losses or contributions to the appeals provision compared to that assumed when setting the 2020/21 budget. The Council's share of this outturn deficit was £16.8m (which was £1.4m more than that assumed when setting the budget), with the Fire Authority's share being £0.2m. This is reflected in Appendix E paragraph 3.4.
- 3.30 The change in the net outturn position for Council Tax and Business Rates compared to the forecast will not impact on the General Fund until 2021/22 and will be taken into account as part of the 2021/22 budget setting process.

4 Options considered and Recommended Proposal

- 4.1 Directors, in striving to manage their budgets, have evaluated all the options available to them to deliver services within the budget set.

5 Consultation

- 5.1 Internal

5.1.1 Cabinet Members, Corporate Directors, the City Solicitor, Human Resources and Assistant Directors of Finance have been consulted in the preparation of this report.

5.2 External

5.2.1 There are no additional issues.

6 **Risk Management**

6.1 The monitoring of the Council's budget and the identification of actions to address issues arising, as set out in this report, are part of the Council's arrangements for the management of financial issues.

7 **Compliance Issues:**

7.1 **How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

7.1.1 The budget is integrated with the Council Financial Plan, and resource allocation is directed towards policy priorities.

7.1.2 The Financial Outturn gives a summary of the City Council's financial activity during 2019/20 and the financial position at 31 March 2020. The budget against which the outturn position is compared was initially set out in the City Council Financial Plan 2019-2023 to the Council and has been revised throughout the year.

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

7.1.4 The General Fund net controllable budget was £851.6m (excluding benefit payments, HRA. Delegated schools budgets) with a savings requirement of £58.3m for 2019/20 (including savings achieved on a one-off basis in 2018/19). This outturn report builds on the budget monitoring reports to Cabinet throughout the year.

7.2 **Legal Implications**

7.2.1 Section 151 of the 1972 Local Government Act requires the Chief Finance Officer (as the responsible officer) to ensure the proper administration of the City Council's financial affairs. Budget control, which includes the regular monitoring of and reporting on budgets, is an essential requirement placed on Directorates and members of the Corporate Management Team by the City Council in discharging the statutory responsibility. This report meets the City Council's requirements on budgetary control for the specified area of the City Council's Directorate activities.

7.3 **Financial Implications**

7.3.1 The Corporate Revenue and Capital Budget Monitoring documents attached give details of monitoring of service delivery within available resources.

7.4 Procurement Implications (if required)

7.4.1 N/A

7.5 Human Resources Implications (if required)

7.5.1 N/A

7.6 Public Sector Equality Duty

7.6.1 There are no additional Equality Duty or Equality Analysis issues beyond any already assessed in the year to date. Any specific assessments needed shall be made by Directorates in the management of their services.

8 Background Documents

8.1 City Council Financial Plan 2019-2023 approved at Council 26th February 2019

8.2 Financial Monitoring 2019/20 Quarter 1 approved by Cabinet 30th July 2019

8.3 Financial Monitoring 2019/20 Quarter 2 approved by Cabinet 29th October 2019

Financial Monitoring 2019/20 Quarter 3 approved by Cabinet 11th February 2020

9

CORPORATE REVENUE BUDGET MONITORING REPORT 2019/20 OUT-TURN REPORT

(year to 31st March 2020)

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Revenue Budget Management Outturn Report

1. Executive Summary

- 1.1 The Council set a net budget of £851.6m for 2019/20 at its meeting on 26 February 2019. This net budget was after assuming savings of £58.3m, included approving a savings programme of £46.2m and required a further £12.1m savings to be delivered that were previously achieved on a one-off basis in 2018/19. This is set out in Table 2.
- 1.2 Directorate current budgets have increased by £10.3m since period 9, whilst corporate budgets have decreased by £10.3m. Details are set out in Annex 15.
- 1.3 The General Fund revenue outturn position for 2019/20 shows an underspend of **£11.5m**. This has improved by £10.0m since Month 9. Further details of the movements are provided in Annex 14. The outturn position for each Directorate is shown in Table 1 below, with further details in Annex 1-9. The net position broken down into base budget and savings in each Directorate can be seen in Table 2.
- 1.4 Following the settlement agreement in June 2019 between the Council, Birmingham Highways Limited and Amey LG Ltd, the sub-contract to Amey LG Ltd terminated on 31 March 2020. An estimate of the total expenditure incurred during the year on the highways network has been made. Evidence is currently being gathered to determine the relevant split of that expenditure between revenue and capital which may alter some elements of the financial presentation but is not expected to impact on the General Fund outturn reported.
- 1.5 The Council's accounts are still subject to audit and the date for publication of the Council's audited financial statements has been moved back from 31 July 2020 to 30 November 2020. Given the later date for publication this year and uncertainties arising from the current extraordinary situation in respect of Covid 19 there is the possibility that there may be further accounting entries or post balance sheet events that require a revision to the statement of accounts and the outturn for the year. Should there be any significant changes that impact on the reported outturn position they will be reported through the regular quarterly monitoring reports.
- 1.6 The directorate outturn position is an overspend of £5.2m largely relating to overspends in
 - Neighbourhoods of £19.3m
 - Education & Skills of £0.6m
 - Inclusive Growth of £0.4m

offset by underspends in

- Adult Social Care of £12.7m

- Human Resources of £1.1m
- Finance & Governance of £1.0m
- Partnerships, Insight and Prevention of £0.2m

Digital & Customer Services has declared a balanced position

- 1.7 There is a £16.7m net underspend in Corporate Budgets including Policy Contingency. Further details can be seen in Annex 10.

Covid-19 Financial Impact 2019/20

- 1.8 The corporate position includes costs related to Covid-19 of £0.9m that have been incurred in 2019/20 and an estimated loss of income due to Covid-19 of at least £0.5m. Increases to specific bad debt provisions have been made for council tax and business rate income in the Collection Fund, housing rents in the Housing Revenue Account as well as for housing benefit overpayments. To reflect the risk to the remaining income streams in the General Fund a further £3.2m corporate bad debt provision has been established, in addition to normal bad debt provisions.
- 1.9 A summary of the Outturn position for each Directorate is set out in Table 1 below.

Table 1	A	B	C = B - A	D			E = C + D
Directorate	Final Revised Budget	Outturn Position	Outturn Variation [+ over / - (under)]	Proposed Year End Transfers to / (from) reserves			In Year Variation (under) / over spend
				Grant	Other	Total	
	£m	£m	£m	£m	£m	£m	£m
Adult Social Care Directorate	331.396	317.603	(13.794)	1.067	0.000	1.067	(12.727)
Digital & Customer Services	31.388	28.665	(2.723)	0.000	2.741	2.741	0.018
Education & Skills	274.563	272.545	(2.017)	1.848	0.823	2.671	0.654
Finance & Governance Directorate	25.619	20.511	(5.108)	0.000	4.072	4.072	(1.036)
Human Resources	7.369	5.784	(1.585)	0.000	0.501	0.501	(1.084)
Inclusive Growth	98.287	110.045	11.758	(11.102)	(0.291)	(11.393)	0.365
Neighbourhoods	108.476	125.508	17.032	1.999	0.240	2.240	19.272
Partnerships, Insight and Prevention	6.788	4.502	(2.286)	2.055	0.000	2.055	(0.231)
Directorate Subtotal	883.884	885.162	1.278	(4.133)	8.087	3.953	5.231
Corporate Subtotal	(32.294)	(57.144)	(24.850)	0.391	7.733	8.125	(16.725)
City Council General Fund	851.590	828.018	(23.572)	(3.742)	15.820	12.078	(11.494)

- 1.10 Schools funded by Dedicated Schools Grant (DSG) is reporting a balanced position at outturn after a net recommended appropriation to reserves of £1.4m.
- 1.11 There is a balanced position in the Housing Revenue Account. Further detail is contained in Appendix E.
- 1.12 There are £12.1m additional requests for contribution to reserves and £4.3m contribution to Schools reserves since period 9. It is also proposed, given the

current environment, to transfer the net Council underspend of £11.5m to the Financial Resilience Reserve (FRR). Further details of these requests are provided in Annex 11. Cabinet are requested to approve a number of uses of and contributions to reserves as detailed in Annex 11.

Table 2: Summary Outturn Position										
Directorate	Original Budget	Current Budget	Outturn	Base Budget Over / (Under)	Savings Non-Delivered	Savings Mitigations	Total Over / (Under)	Period 9 Forecast Over / (Under)	Change since Period 9 (Improvement)/ Deterioration	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
Adult Social Care	325.692	331.396	318.669	(12.727)	0.918	(0.918)	(12.727)	(12.206)	(0.521)	(0.16)
Digital & Cust Services	22.046	31.388	31.406	0.018	0.290	(0.290)	0.018	0.000	0.018	0.06
Education & Skills	261.902	274.563	275.217	(0.205)	8.650	(7.791)	0.654	0.584	0.070	0.03
Finance & Governance	25.397	25.619	24.583	(1.036)	1.175	(1.175)	(1.036)	1.073	(2.109)	(8.23)
Human Resources	6.597	7.369	6.285	(1.084)	0.000	0.000	(1.084)	(0.450)	(0.634)	(8.60)
Inclusive Growth	97.515	98.287	98.651	(1.138)	1.637	(0.134)	0.365	0.373	(0.008)	(0.01)
Neighbourhoods	99.565	108.476	127.748	15.213	5.228	(1.169)	19.272	14.637	4.635	4.27
Partnerships, Insight and Prevention	6.442	6.788	6.557	(0.231)	0.016	(0.016)	(0.231)	(0.100)	(0.131)	(1.92)
Directorate Sub Total	845.156	883.884	889.115	(1.190)	17.914	(11.493)	5.231	3.910	1.321	0.15
Policy Contingency	42.244	13.024	8.549	(4.475)	0.000	0.000	(4.475)	(7.092)	2.617	20.09
Corporately Managed Budgets	91.600	82.091	69.841	(12.250)	0.000	0.000	(12.250)	1.706	(13.956)	(17.00)
Corporate Grants	(127.409)	(127.409)	(127.409)	0.000	0.000	0.000	0.000	0.000	0.000	0.00
Corporate Subtotal	6.435	(32.294)	(49.019)	(16.725)	0.000	0.000	(16.725)	(5.386)	(11.339)	35.11
City Council General Fund	851.590	851.590	840.096	(17.915)	17.914	(11.493)	(11.494)	(1.476)	(10.018)	(1.18)
Dedicated Schools Grant	0.000	0.000	(0.000)	(0.000)	0.000	0.000	(0.000)	0.000	(0.000)	n/a
Housing Revenue Account	0.000	0.000	(0.000)	(0.000)	0.000	0.000	(0.000)	0.000	(0.000)	n/a
City Council Total	851.590	851.590	840.096	(17.916)	17.914	(11.493)	(11.494)	(1.476)	(10.018)	(1.18)

Note 1: Percentage movement is shown as a percentage of the current budget

Note 2: The original budget in table 1 included hierarchy movement after the Council set the net budget for 2019/20 at its meeting on 26th Feb 2019

2. Key Issues

2.1 At Outturn the Directorates position is an overspend of £5.2m primarily relating to the following:

- There is an underspend of £12.7m in Adult Social Care after recommended net transfer from reserves of £1.1m. The underspend largely relates to:
 - There is an £9.6m underspend in Packages of Care comprising £7.3m reductions in numbers and unit costs achieved in Older People client group as a result of the Directorate's transformation programme and work relating to the Three Conversations model and Customer Journey. In addition there is £1.9m lower than anticipated costs relating to the roll out of the Framework and £1.2m lower than anticipated costs relating to the provision for bad debts offset by £0.8m one off pressure for settlement of a legal case relating to historical residential packages of care costs.
 - There is a £1.2m underspend against Corporate Director budget. Birmingham Community Equipment Loan Store budget has underspends due to a credit in respect of the previous financial year of £0.5m and capitalisation of £0.5m. There is £0.2m of other minor underspends.
 - There is an underspend of £1.1m in Assessment and Support Planning due to vacancies of £1.0m and other minor underspend of £0.1m.
 - The underspend of £1.7m in Commissioning relates to £1.0m one-off third-party grant, £0.3m one off underspend against computer costs and £0.4m other minor variations
 - These are partially offset by an overspend of £0.9m against Specialist Care Services largely relating to staffing costs.
- Education and Skills has an overspend of £0.7m at outturn after recommended net transfers from reserves of £2.7m, relating to:
 - Cabinet has approved a contract variation of £7.0m for the Birmingham Childrens Trust (BCT). This overspend relates in the main to increases in children in care placement costs due to the continued increase in numbers and cost of children in care and additional remand costs. This was approved by Cabinet on 26 May 2020. This has been funded from underspends within Policy Contingency.
 - School Transport is overspent by £1.4m primarily due to an increase in the number of pupils transported since September 2019 along with the removal of the savings that were previously anticipated.

- Children's Trust Intelligent Client Function (ICF) reports an overspend of £0.5m as a result of £0.2m additional residual costs, mainly relating to care costs prior to the establishment of the Trust and £0.3m other pre-trust costs.
 - Skills and Employability overspent by £0.7m primarily relating to reduced Adult Education income.
 - There is an underspend of £0.4m in Strategic Leadership largely relating to budgets across Education & Skills transferred to Strategic Leadership.
 - Education & Skills Infrastructure underspent by £0.6m due to savings associated with the PFI contract review.
 - There is an underspend of £0.6m on School Setting/Improvements mainly due to an underspend on School Improvement Grant and staff vacancies in the Safeguarding service.
 - There are other minor underspends of £0.3m.
- There is an overspend of £19.3m in Neighbourhoods Directorate after a recommended net transfer to reserves of £2.0m (mainly section 106 reserves), relating to:
 - Street Scene is reporting a £10.9m overspend comprising: £4.6m increased staff and agency costs arising from the delay in the implementation of the service redesign, £2.9m higher repair and maintenance as well as hire costs incurred for waste management vehicles due to the lead time in acquiring replacement vehicles and £1.9m income shortfall in trade waste, street cleansing and fleet repair services as a result of loss of customers. There is an income shortfall of £0.7m for mixed paper recycling due to a fall in market price, £0.7m IT licences costs and other minor overspends of £0.1m
 - Housing Service is reporting an overspend of £5.0m which £4.5m is in the housing options service due to increasing on demand. There is £1.4m overspend due to delays in savings implementation offset by a £1.1m underspend due to vacancies. There is overspend of £0.2m from other minor variations across the service and a £0.3m loss of income in Private Rented sector services.
 - There is an overspend of £2.8m in Regulation & Enforcement due to lower income from bereavement services and markets.
 - Business Support has an overspend of £1.2m as anticipated land and property disposals did not generate the sales income for the directorate.
 - These have been partially offset by a £0.6m underspend in the Neighbourhoods Division due to a managed underspend on staffing and on controllable supplies and services to support the overall Directorate position.
 - Inclusive Growth is reporting an overspend of £0.4m after recommended net transfer from reserves of £11.4m, relating to:

- There is an underspend of £0.3m in Planning & Development (City Centre, Management & EZ) primarily due to £0.8m on in-year staff vacancies and difficulties in recruiting to Planning posts offset by £0.3m reduction in staff related income and £0.2m under-recovery on Planning Applications and Pre-application fees.
 - Transportation & Connectivity reports an underspend of £1.0m largely due to a surplus of £1.5m employee recharges to projects offset by £0.5m net overspend on employees' budget.
 - There is an underspend of £0.5m in Planning & Development (Strategy & BDI) due to £0.7m relating to staff vacancies offset by £0.2m shortfall in European & International Affairs income generation
 - Property Services reports an overspend of £2.2m comprising rental income shortfall of £0.8m in commercial portfolio, £1.0m overspend in central administration buildings arising from fewer repairs and maintenance jobs completed before the year-end than committed. There is also other minor overspend of £0.4m
 - There is an overspend of £0.6m in Housing Development due to the non-achievement of the surplus target in InReach as a result of difficulties bringing forward schemes
 - Highways & Infrastructure reports an underspend of £0.5m relating to a £0.3m employee underspend due to vacancies, a £0.8m surplus from developers' fees relating to major project works, a £0.7m surplus from parking bay suspensions due to development works in the city centre offset by a £0.9m shortfall in car parking and parking enforcement income and other minor overspends of £0.4m
 - There are £0.1m of net other minor underspends.
- Human Resources reports an underspend of £1.1m after a net recommended transfer to reserves of £0.5m, relating to an underspend in HR schools of £0.6m and a £0.5m underspend in HR services.
 - There is an underspend of £0.2m in Partnerships, Insight and Prevention (PIP) after a net recommended transfer to reserves of £2.1m. The underspend largely relates to a £0.4m underspend in the Assistant Chief Exec as a result of vacancies held pending implementation of new structure, offset by £0.2m overspend in Community Safety and Resilience mainly relating to CCTV cameras in Emergency Planning and Resilience.
 - Digital & Customer Services reports a balanced position after a net transfer to reserves of £2.7m. There is an underspend of £0.5m in Business Improvement as a result of vacancy management offset by a £0.5m overspend in Customer Services due to unbudgeted expenditure in respect of the Brum Account.
 - Finance & Governance reports an underspend of £1.0m after net recommended transfer to reserves of £4.1m, comprising:

- £2.0m overspend in Development and Commercial as a result of 1.8m income pressure for Digital Advertising offset, by £0.7m from not making a planned contribution to reserves. There is a net overspend of £0.3m in Cityserve Catering due to fall in income offset by reduced costs. In addition, there are income shortfalls of £0.4m in Civic Cleaning and £0.2m in Civic Catering.
- £1.8m underspend in Service Finance relating to £0.7m underspend on prudential borrowing costs resulting from reduced activity on the SAP capital programme pending implementation of the new Finance and HR system, £0.5m underspend from additional unidentified income balances unclaimed by Directorates, £0.3m underspend on Schools Financial Services due to vacancies and other minor underspends of £0.3m
- £0.9m underspend in City Solicitor as a result of minor underspends across the service area
- £0.3m underspend on Audit as a result of increased recoveries from the supplier statement income target.

Further details of each directorate outturn are set out in the Directorate Executive Summaries at Annexes 1-10 of this report.

3. Overview of the Savings Programme

3.1 The total approved savings programme was £58.3m in 2019/20. This comprised the approved savings plan of £46.2m plus £12.1m of savings that were delivered on a one-off basis in 2018/19. Of these £41.4m were delivered and £17.9m not delivered, as shown in Table 3. There is a breakdown by approved savings and one off savings in Tables 3a and 3b in Annex 12. £10.4m of one-off mitigations and £0.1m of new savings have been identified. In addition there is £0.9m overachievement of savings. Table 3 illustrates the movement between Period 9 and Outturn.

Table 3: Overview of the Delivery of the 2019/20 Savings Programme							
Directorate	2019/20 Agreed Savings	Fully Delivered against Programme	Fully Delivered	Not Delivered		One off Mitigations to address Savings Non-Delivery	Memo: Not Delivered at Period 9
	£m	%	£m	£m		£m	£m
Adult Social Care	(16.310)	94.4	(15.392)	(0.918)		0.000	(0.918)
Digital & Cust Services	(6.918)	95.8	(6.628)	(0.290)		(0.290)	(0.290)
Education & Skills	(8.797)	1.7	(0.147)	(8.650)		(7.791)	(2.728)
Finance & Governance	(2.831)	58.5	(1.656)	(1.175)		(1.175)	(0.717)
Human Resources	(0.718)	100.0	(0.718)	0.000		0.000	0.000
Inclusive Growth	(4.770)	65.7	(3.133)	(1.637)		0.000	(1.589)
Neighbourhoods	(18.564)	71.8	(13.336)	(5.228)		(1.169)	(4.664)
Partnerships, Insight and Prevention	(0.548)	97.1	(0.532)	(0.016)		(0.016)	0.000
Directorate Subtotal	(59.456)	69.9	(41.542)	(17.914)		(10.441)	(10.906)
Corporate Savings	1.180	100.0	1.180	0.000		0.000	0.000
Total Programme	(58.276)	69.3	(40.362)	(17.914)		(10.441)	(10.906)
New savings							
Inclusive Growth	0.000	n/a	(0.134)	0.000		0.000	0.000
New Savings Subtotal	0.000	n/a	(0.134)	0.000		0.000	0.000
Overachieved savings							
Adult Social Care	0.000	n/a	(0.918)	0.000		0.000	0.000
Overachieved Savings Subtotal	0.000	n/a	(0.918)	0.000		0.000	0.000
Total Programme	(58.276)	71.1	(41.414)	(17.914)		(10.441)	(10.906)
Percentage of Total Programme excluding new and overachieved savings	100.00%		69.26%	30.74%		17.92%	18.71%

Note: the new and overachieved savings are included in the mitigations column in Table 2.

3.2 Of the £10.4m one-off mitigations mentioned above, £0.3m are in Digital & Customer Services, £7.8m in Education & Skills, £1.2m in Finance & Governance, and £1.2m in Neighbourhoods.

- In Digital & Customer Services, the unachieved non-essential savings target of £0.1m and unachieved consolidation programme saving target of £0.2m have been absorbed through underspends within the directorate in 2019/20. There were no impacts on service delivery.
- In Education & Skills, Travel Assist savings non-delivery of £1.7m was covered in 2019/20 by a one-off Policy Contingency allocation. Savings of £1.0m for Efficiency, WOC and Management Review have been made on a one-off basis in 2019/20 from a one-off contingency no longer required.

A savings non-delivery of £5.0m related to Birmingham Childrens Trust are being covered by a one-off Policy Contingency allocation.

- In Finance & Governance, the unachieved savings of £1.2m have been covered by Directorate underspends.
- In Neighbourhoods the £0.5m non-delivery of savings in Health and Wellbeing has been covered by the £3.9m funding from Policy Contingency, and £0.6m of savings related to Parks have been covered by various one-off solutions.

3.3 In addition Adult Social Care have over-achieved savings of £0.9m relating to demand management within Packages of Care.

3.4 Table 3 illustrates the movement between Period 9 and Outturn.

Table 3: Movement in Delivery of the 2019/20 Savings Programme					
	Fully Delivered	At Risk	Not Delivered		One off Mitigations
	£m	£m	£m		£m
Outturn	(41.414)	0.000	(17.914)		(10.441)
Period 9 Forecast	(40.382)	(8.040)	(10.906)		(3.582)
(Increase)/Decrease	(1.032)	8.040	(7.008)		(6.859)
Percentage Change (%)	2.6	(100.0)	64.3		191.5

- There were movements of savings classed as at risk to not delivered of £5.9m within Education & Skills (of which £5.0m related to the Birmingham Children's Trust (BCT)), £0.5m within Finance & Governance, and £0.6m of within Neighbourhoods. The £5.0m savings mentioned above related to BCT not achieved were made up by £4.0m savings related to a reduction in the value of the Contract and £1.0m savings related to efficiencies and demand management.
- There was movement of £1.0m of various savings classed as at risk to delivered, nearly all relating to Neighbourhoods.
- However, there was an increase in one-off mitigations identified of £6.9m in the Directorates above which covered these savings identified as not delivered.

4. Reserves

4.1 The Council operates a policy of not using reserves unless they have been set aside for specific purposes and they will not be used to mitigate the requirement to make savings or meet on-going budget pressures. In the main, the major use of reserves relates to grant reserves where the funding has been received prior to the requirement to spend the resource. The Council also has earmarked reserves where it has decided to set money aside to fund specific costs when they occur in later years. Use of such reserves should be strictly in accordance with the purpose for which it was approved.

4.2 The Council anticipated the use of £27.0m of reserves in setting the 2019/20 budget. This is summarised in Table 5 below.

Table 5: Summary (Use of) / Contribution to Reserves					
Reserve	Original Budgeted (Use) /Contribution	Budget Approved Period 9	Changes Proposed at Outturn	Proposed (Use) /Contribution at Outturn	Variance to Original
	£m	£m	£m	£m	£m
General Reserves*	(5.910)	(5.910)	11.494	5.584	11.494
Corporate **	11.861	19.362	46.477	65.839	53.978
Subtotal All Corporate	5.951	13.452	57.971	71.423	65.472
Other Reserves					
Grant	(29.206)	51.833	(42.486)	9.348	38.554
Earmarked	(3.719)	(3.753)	8.087	4.333	8.053
Schools	0.000	0.000	3.582	3.582	3.582
Non Schools DSG	0.000	(1.199)	2.136	0.937	0.937
Subtotal Other	(32.926)	46.881	(28.681)	18.200	51.126
Total	(26.975)	60.333	29.290	89.623	116.598

* Budgeted Use of £5.9m agreed as part of the Reserves Policy

** £38.3m of Grant Reserves were released corporately (see paragraph 4.9 below)

Changes in Use of Reserves

4.3 Net changes to the original budgeted use of reserves of £116.6m have been requested. A net contribution of £60.3m was approved by Cabinet at Period 9. At outturn, a net contribution to reserves of £29.3m is requested. The outturn position set out in this report assumes that all the reserves changes will be approved. Details of how these reserves are proposed to change are set out in Tables 5 and 6. Specific changes in reserves at outturn are set out in Annex 11.

4.4 There is a budgeted use of £5.9m of General Reserves, which is in line with the Reserves Policy. This is to fund the additional revenue costs arising from a retrospective change in the Council Minimum Revenue Provision Policy (MRP), approved by the Council in February 2018. This is a planned use agreed within the Council's Reserves Policy and is due to be phased out over a number of years as the Council identifies alternative ways to address these additional costs. No further uses of general reserves are planned.

- 4.5 Because the Council has an underspend of £11.5m, it is proposed, given the current environment, to increase the Financial Resilience Reserve by this £11.5m.
- 4.6 Other Corporate net contribution to reserves of £46.5m requested at outturn largely relates to:
- £38.7m of unringfenced Government Grant funding to offset the impact of Covid-19 on the Council.
 - £6.3m repayment of borrowing from the Financial Resilience Reserve (FRR) related to Pension Fund timing differences.
 - £0.6m repayment of borrowing from the Financial Resilience Reserve (FRR) related to Pension Guarantees linked to the Highways PFI.
 - £0.5m repayment of borrowing from the Financial Resilience Reserve (FRR) related to Pension Guarantees linked to the West Midlands Growth Company.
 - £1.1m contributions to Policy Contingency Reserves due to in year underspend that will be required in 2020/21.
 - £0.4m contribution to Capital Fund from Directorates.
- Offset by:
- £0.9m Use of Commonwealth Games Reserves to cover timing differences in costs of the Games.
 - £0.1m Use of Reserves to cover residual costs of the National Exhibition Centre (NEC).
 - £0.1m Borrowing from Invest to Save Reserve to fund development of Workplace Parking Levy
 - £0.1m Use of Policy Contingency Reserve to meet costs related to Birmingham Museum and Art Gallery
- 4.7 It is proposed to transfer £2.6m from General Fund balances to create a Leasing Reserve to cover technical accounting charges expected in future years.
- 4.8 It is proposed to transfer £0.5m from General Fund balances back to the Policy Contingency Reserve where this funding was originally held in order to meet costs related to Birmingham Museum and Art Gallery, in line with the original Cabinet decision in July 2018.
- 4.9 The Council holds Grant Reserves for 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. At outturn, there is net £42.5m requested use of Grant Reserves. These contributions to and uses of grant reserve are in line with the Reserves Policy approved by Cabinet in January 2019. This includes the use of £12.8m Improved Better Care Fund (IBCF) reserve. In the current environment the IBCF reserve, other than the £5.9m required in the financial plan for 2020/21, is no longer required to be earmarked. As a result the uncommitted balance of £12.8m has been released into the corporate budget. It also includes £25.5m of PFI Reserves required to cover PFI MRP costs held within Corporate budgets.

4.10 At outturn there are proposed net contributions of £8.1m to Earmarked Reserves. These contributions to earmarked reserves are in line with the Reserves Policy approved by Cabinet in January 2019.

4.11 Further details of all requested use of or contributions to Reserves at Outturn are provided in Annex 11.

Table 6: Proposed Reserves Balance						
Reserve	Balance 31/03/19	Reallocation of Reserves approved Period 9	Original Budgeted (use)/ contribution	Changes approved Period 9	Changes Proposed Since Period 9	Proposed Outturn Balance 31/03/20
	£m	£m	£m	£m	£m	£m
Corporate Reserves	219.587	(4.036)	5.951	7.501	57.971	286.973
Earmarked	36.375	4.036	(3.719)	(0.034)	8.087	44.745
Grant	262.597	0.000	(29.206)	81.040	(42.486)	271.945
Schools	34.255	2.700	0.000	0.000	3.582	40.537
Non Schools DSG	7.344	(2.700)	0.000	(1.199)	2.136	5.580
Total	560.158	0.000	(26.975)	87.307	29.291	649.780

Annex 1 Adult Social Care Directorate

1. Executive Summary

- 1.1 The Adult Social Care Directorate has a net budget of £331.4m for 2019/20. At Outturn, the net spend for the year is £318.7m. This results in an underspend of £12.7m.
- 1.2 The Outturn position is **after** recommended net transfers from reserves of £1.1m, as shown in Table 1.

	Overspend/ (Underspend) £m
Table 1: Net Directorate Outturn	
Net expenditure (+ over/ - under)	(13.794)
Transfers to / (from) Grant Reserves	1.067
Transfers to / (from) Other Reserves	0.000
Net overspend / (underspend)	(12.727)

- 1.3 The Outturn position is shown in greater detail in Table 2.

Table 2: Outturn Position									
Service	Original Budget	Current Budget	Outturn	Base Budget Over/ (Under)	Savings Non-delivery	Outturn Over/ (Under)	Period 9 Over/ (Under)	Change since Period 9 (Improvement)/ Deterioration	
	£m	£m	£m	£m	£m	£m	£m	£m	%
Director	26.684	17.833	16.620	(1.213)	0.000	(1.213)	(0.944)	(0.269)	-2%
Community & Operational	64.823	72.552	72.350	(1.120)	0.918	(0.202)	0.015	(0.217)	0%
Assessment & Support Planning	35.752	41.991	40.877	(1.114)	0.000	(1.114)	(0.985)	(0.129)	0%
Specialist Care Services	29.071	30.561	31.473	(0.006)	0.918	0.912	1.000	(0.088)	0%
Adult Packages of Care Summar	202.394	211.955	202.373	(8.664)	(0.918)	(9.582)	(9.888)	0.306	0%
Adults with a Learning Disability	96.685	94.807	94.303	(0.504)	0.000	(0.504)	(0.413)	(0.091)	0%
Adults with Mental Health Needs	3.894	12.803	12.362	(0.441)	0.000	(0.441)	(1.514)	1.073	8%
Adults with a Physical Disability	28.718	29.617	29.521	(0.096)	0.000	(0.096)	(0.132)	0.036	0%
Older People	71.220	72.635	64.078	(7.639)	(0.918)	(8.557)	(7.802)	(0.755)	-1%
Working Age Dementia	1.877	2.093	2.109	0.016	0.000	0.016	(0.027)	0.043	2%
Commissioning	31.791	29.057	27.327	(1.730)	0.000	(1.730)	(1.390)	(0.340)	-1%
Directorate Total	325.692	331.397	318.670	(12.727)	0.000	(12.727)	(12.207)	(0.520)	0%

Key issues

1.4 The key issues in year are as follows:

- **Corporate Director**

The underspend against this service is (£1.2m) (£0.3m improvement from P9) due to:

- (£1.0m) relating to the Birmingham Community Equipment Loan store budget due to a credit in respect of the previous financial year of £0.5m and capitalisation of £0.5m.
- (£0.2m) in year underspend due to capitalisation of project costs in respect of the Eclipse System.
- £0.3m pressure related to short term project costs relating to the Adults Transformation Programme including Customer Journey and Three Conversations.
- (£0.3m) underspend related to employee vacancies of £0.1m, reduced access to work costs of £0.1m, and collection of additional rent income of £0.1m.

- **Assessment & Support Planning**

The underspend against this service is (£1.1m) (£0.1m improvement from P9) due to:

- An underspend of (£1.0m) due to vacancies held as part of the Adult Customer Journey transformation programme, and redundancies agreed, which has resulted in the early delivery of 2020/21 savings in 2019/20.
- (£0.1m) other minor variations.

- **Specialist Care Services**

The overspend against this service is £0.9m (£0.1m improvement from P9) due to:

- £0.9m of staffing costs relating to savings targets originally intended to be made by this service. These savings have now been delivered through demand management within packages of care.
- (£0.3m) of additional income received from contributions from Health
- £0.2m additional costs relating to a Staff Rostering IT system where costs have been higher than anticipated.
- £0.1m other minor variations

- **Packages of Care**

The underspend against this service is £9.6m (£0.3m deterioration from P9) due to:

- (£1.9m) lower than anticipated costs relating to the roll out of the Directorate's Framework Pricing Policy. This saving has been achieved on a one-off basis for 2019/20 as providers are phased

onto the new Framework, and this is a reduction from P9 of £0.7m.

- (£1.2m) lower than anticipated costs relating to the provision for Bad Debts, which is new from P9.
- £0.8m one off pressure for settlement of a legal case relating to historical residential packages of care costs, offset by
- (£7.3m) underspend relating to packages of care as a result of the Directorate's transformation programme and work relating to the Three Conversations model and Customer Journey. The main savings are linked to the Older People client group where reductions in numbers and unit costs have been achieved. This underspend has reduced by £0.7m as there has been a slight increase in demand for bed based services since P9.

- **Commissioning**

The underspend against this service is (£1.7m) (£0.4m improvement from P9) due to:

- (£0.3m) one off underspend against computer costs relating to the procurement of ASC IT systems, a £0.1m deterioration from P9 due to additional costs of the current IT system.
- (£1.0m) relating to a one-off underspend variation on third sector grants after an exercise to re-tender these in 2019/20 was undertaken. This is an improvement of £0.3m since P9.
- (£0.2m) underspend related to employee vacancies, not reported at P9.
- (£0.2m) other minor variations.

Key movements since Period 9

- 1.5 The underspend of £12.7m is an improvement of £0.5m since Period 9.

The key changes to Adult Social Care Directorate's underspend since Period 9 are:

- **Corporate Director** - £0.3m favourable movement related to employee vacancies of £0.1m, reduced access to work costs of £0.1m, and collection of additional rent income of £0.1m.
- **Assessment and Support Planning** – £0.1m favourable movement from Period 9 due to further reductions in employee costs.
- **Specialist Care Services** - £0.1m favourable movement related to additional contributions from Health partners.
- **Packages of Care** - £0.3m net adverse movement as below
 - £0.7m pressure linked to further roll out of the framework pricing policy, and
 - £0.8m costs of a historical legal case, offset by
 - (£1.2m) lower than anticipated costs relating to the provision for Bad Debts
- **Commissioning** – £0.3m favourable movement from Period 9 due to reduced costs relating to employees and grant payments.

Annex 2 Digital & Customer Services

- 1.1 The Digital and Customer Services Directorate has a net budget of £31.4m for 2019/20. At Outturn, the net spend for the year is £31.4m. This results in a minor overspend.
- 1.2 The Net Expenditure position reflects further slippage in the IT&D “invest to save” scheme of £1.4m, which is in addition to the £2.3m previously reported and already approved to be carried forward. This additional slippage (£1.4m) will also be carried forward to 2020/21 to meet service demand. As well as (£1.2m) contributions to reserves for Benefit Services, carry forward to 20/21 requested in view of slippage of Service improvement IT projects and Business rates revaluations costs. The Net overspend is **after** recommended net transfers to reserves totalling £2.7m, as shown in Table 1.

	Overspend/ (Underspend) £m
Table 1: Net Directorate Outturn	
Net expenditure (+ over/ - under)	(2.723)
Transfers to / (from) Grant Reserves	0.000
Transfers to / (from) Other Reserves	2.741
Net overspend / (underspend)	0.018

- 1.3 The Outturn position is shown in greater detail in Table 2.

Table 2: Outturn Position									
Digital and Customer Services	Original Budget	Current Budget	Outturn	Base Budget Over/ (Under)	Savings Non-delivery	Outturn Over/ (Under)	Period 9 Over/ (Under)	Change since Period 9 (Improvement)/ Deterioration	
	£m	£m	£m	£m	£m	£m	£m	£m	%
Revenues & Benefits	2.791	2.848	2.848	0.000	0.000	0.000	0.000	0.000	0.00
Business Improvements	9.517	9.852	9.342	(0.510)	0.000	(0.510)	(0.415)	(0.095)	(0.96)
Customer Services	8.566	8.169	8.679	0.510	0.000	0.510	0.415	0.095	1.16
IT & Digital Services	1.005	10.350	10.350	0.000	0.000	0.000	0.000	0.000	0.00
Director of DC&S	0.168	0.169	0.187	0.018	0.000	0.018	0.000	0.018	10.65
Directorate Total	22.047	31.388	31.406	0.018	0.000	0.018	0.000	0.018	0.06

Key issues

1.4 The key issues in year are as follows:

Revenue & Benefits – There is an outturn underspend of (£1.2m) at Period 12, however this underspend is expected to fund costs slipping into 2020-21 i.e. CPI Inform Business Rate revaluations £0.4m for which corporate funding was phased and significantly reducing in 20/21. £0.5m of IT service development costs that could not be completed in 2019-20 due to IT's capacity to deliver prior to 31st March 20. Additionally, due to the extra work falling on the Revenues Service following the government's COVID-19 directive for Local Authorities to assist businesses, outsourcing some Revenues processing work will be required which was not envisaged when setting the budget for 2020-21. £0.3m of this underspend will be required to fund ongoing Benefits service transition costs following delay in universal credit roll out.

In year (19/20) there was a significant increase in Housing Benefit (HB) Bad Debt Provision which reflects future greater risks to HB overpayment recovery following the government directive to Local Authorities to suspend actions to recover debts for the first 3 months of 2020-21 to allow for the potential impact of COVID-19 on household incomes. Financial implications of COVID-19 will impact on future years debts and risks to recovery of those debts.

- Business Improvements – (£0.5m) underspend as a result of vacancy management due to high turnover.
- Customer Services - £0.5m base budget pressures as a result of unbudgeted expenditure in respect of the Brum Account. The (£0.5m) underspend from Business Improvements will be netted off against this overspend resulting in a nil variance at outturn
- IT&DS – In addition to the approved (£2.3m) carry forward to 20/21 an additional slippage of (£1.4m) from the Invest to save scheme will be carried forward into 2020/21 to be utilised towards the IT&DS service delivery, resulting in a nil outturn variance.

Key movements since Period 9

1.5 There has been no significant change since Period 9.

Annex 3 Education & Skills Directorate

General Fund Outturn

1. Executive Summary

- 1.1 The Education & Skills Directorate has a net budget of £274.6m for 2019/20. At Outturn, the net spend for the year is £275.2m. This results in an overspend of £0.6m.
- 1.2 The Outturn position is **after** recommended net transfers to reserves of £2.7m, as shown in Table 1. This position is in line with that reported at Period 9 of £0.6m.

	Overspend/ (Underspend) £m
Table 1: Net Directorate Outturn	
Net expenditure (+ over/ - under)	(2.017)
Transfers to / (from) Grant Reserves	1.848
Transfers to / (from) Other Reserves	0.823
Net overspend / (underspend)	0.653

- 1.3 The Outturn position is shown in greater detail in Table 2.

Table 2: P13 Outturn Position									
Directorate	Original Budget	Current Budget	Outturn	Base Budget Over/ (Under)	Savings Non-delivery	Outturn Over/ (Under)	Period 9 Over/ (Under)	Change since Period 9 (Improvement/ Deterioration)	
	£m	£m	£m	£m	£m	£m	£m	£m	%
Service General Fund									
Inclusion & SEND	24.827	27.769	29.402	1.632	0.000	1.632	1.541	0.091	0.3%
Education & Early Years	8.988	12.715	11.259	(1.456)	0.000	(1.456)	(0.831)	(0.625)	-4.9%
Children's Trust	183.285	190.099	190.493	0.394	0.000	0.394	0.360	0.034	0.0%
Strategic Leadership	20.383	19.107	18.417	(0.690)	0.000	(0.690)	(0.748)	0.058	0.3%
Skills and Employability	24.418	24.873	25.645	(0.087)	0.859	0.772	0.261	0.511	2.1%
Education & Skills	261.902	274.563	275.216	(0.206)	0.859	0.653	0.584	0.070	0.0%

Note: The non-delivery of savings is net of one-off mitigations. The savings target of £5.027m in the Childrens Trust was not delivered and was mitigated by one-off allocation of additional budget from Policy Contingency.

Key issues

1.4 The key issues in year are as follows:

- Education & Skills Infrastructure (**£0.6m**) underspend relating to savings associated with the PFI contract review.
- Early years (**£0.2m**) underspend relating to a decrease in the projected overspend on Day Nurseries and savings on Early Years estates costs.
- Strategic Leadership (SL) (**£0.4m**) underspend mainly due to (£0.5m) underspent budgets across Education & Skills transferred to Strategic Leadership and underspend (£0.1m) underspend on supplies and services but offset by additional £0.2m interim and agency professionals costs and contribution to Admission and Appeals services for LA maintained schools.
- School Setting/Improvements (SSI) (**£0.6m**) underspend mainly due to (£0.3m) school improvement grant underspend, income over achieved by Safeguarding (£0.1m). A further (£0.2m) underspend from Safeguarding staff vacancy and less training and venue hire expenditure due to cancelled training sessions.
- School Transport – reporting an overspend of **£1.7m** relating to an increase in the number of pupils transported from September 2019 along with the removal of the remaining savings that were previously anticipated to be achieved.
- Children's Trust Residual Accounts and Intelligent Client Function (ICF) – an overspend of **£0.5m** is reported as a result of additional residual costs, mainly relating to pre-Trust care costs £0.2m & historic legal costs £0.1m, other pre-Trust costs £0.3m offset by Children's Trust ICF loan interest (£0.1m)
- Business Support and underspend of (**£0.2m**), including premature retirements.
- Skills and Employability overspend **£0.7m** – Adult Education overspend of £0.7m, due mainly to reduced income. The income budget reflected the full impact of the corporate recharge increase of £0.9m, which was levied on the Adult Education budget in 2019/20. A separate briefing note is being prepared on this.
- Other net underspends across Education & Skills amount to (**£0.3m**).

The outturn position from the Children's Trust shows an overspend of £7.0m. The overspend is included in the outturn position in table 2. It has been funded through a budget increase to the Directorate and does not change the overall Directorate variance of £0.6m overspent.

Key movements since Period 9

1.5 The overspend of £0.6m is in line with that reported at Period 9.

The key changes to the Education & Skills Directorate's overspend since Period 9 are:

- Early Years – improvement of **(£0.2m)** relating to a decrease in the projected overspend on Day Nurseries and savings on Early Years estates costs
- Strategic Leadership and Improvement **£0.2m** decrease in underspend due to more agency professionals and contribution to Admissions and Appeals for maintained schools
- School Setting/Improvements (SSI) **(£0.3m)** increase due to income overachieved, staff vacancy and less training and venue hire expenditure as a result of cancelled training sessions.
- Adult Education increased overspend of **£0.5m** due mainly to reduced income and impact of recharge increase.
- Other changes amount to underspend movements of **(£0.2m)**.

Annex 4 Finance and Governance Directorate

1. Executive Summary

1.1 The Finance and Governance Directorate has a net budget of £25.6m for 2019/20. At Outturn, the net spend for the year is £24.6m. This results in an underspend of £1.0m.

1.2 The Outturn position is **after** recommended net transfers to reserves of £4.1m, as shown in Table 1.

	Overspend/ (Underspend) £m
Table 1: Net Directorate Outturn	
Net expenditure (+ over/ - under)	(5.108)
Transfers to / (from) Grant Reserves	0.000
Transfers to / (from) Other Reserves	4.072
Net overspend / (underspend)	(1.036)

1.3 The Outturn position is shown in greater detail in Table 2.

Table 2: Outturn Position									
Service	Original Budget	Current Budget	Outturn	Base Budget Over/ (Under)	Savings Non-delivery	Outturn Over/ (Under)	Period 9 Over/ (Under)	Change since Period 9 (Improvement)/ Deterioration	
	£m	£m	£m	£m	£m	£m	£m	£m	%
Development & Commercial	(4.374)	(4.137)	(2.123)	2.014	0.000	2.014	1.682	0.332	(8.03)
Service Finance	20.487	20.387	18.612	(1.775)	0.000	(1.775)	(0.100)	(1.675)	(8.22)
GBSLEP	0.000	0.001	0.000	(0.001)	0.000	(0.001)	0.000	(0.001)	(100.00)
City Solicitor	7.754	7.706	6.781	(0.925)	0.000	(0.925)	(0.286)	(0.639)	(8.29)
Birmingham Audit	1.529	1.662	1.313	(0.349)	0.000	(0.349)	(0.223)	(0.126)	(7.58)
Directorate Total	25.396	25.619	24.583	(1.036)	0.000	(1.036)	1.073	(2.109)	(8.23)

Key issues

1.4 The key issues in year are as follows:

Development and Commercial - £2.0m outturn overspend as a result of

- £1.8m income pressure for Digital Advertising. There has been a loss/reduction in income due to Cabling works at Lancaster Circus, the closure of Five Ways underpass and the impact of the Metro and City Centre Roadworks. The capacity to generate additional income from new sites has proved challenging due to planning restrictions and continued economic and Brexit uncertainty. The further £0.1m income pressure since P11 is due to the impact of Covid 19 as with no audience on the streets, advertising bookings have been significantly reduced/ceased.
- (£0.7m) underspend from non-contribution to reserves from planned mitigation for the Digital Advertising Income pressure.
- £0.4m income pressure for Civic Cleaning. This pressure has arisen mainly as a result of the current hourly rate (charged for delivering cleaning) being below that of the external market and does not cover the actual cost of providing the service. There has been no increase in the hourly charge rate to absorb the impact of increased operational costs since 2009. Civic Cleaning returned to the Council in April 2019 from Acivico with an annual trading deficit of £1.1m, after which immediate overheads charge cessation reduced the pressure by £0.5m and a further £0.2m of efficiencies was achieved.
- £0.3m net budget pressure in City Serve Catering. This reflects a significant shift in the marketplace and an increase in the number of schools leaving CityServe primarily to achieve cost reductions within the private sector. The fall in income is partly off-set by reduced costs and managed mitigations including the release of a one-off provision which is no longer required and a reduction in Head Office expenditure.
- £0.2m overspend in Civic Catering. The service did not generate sufficient income to achieve the 0.2m budgeted surplus.

Service Finance – (£1.8m) underspend as a result of

- (£0.7m) underspend on Prudential Borrowing costs (linked to the SAP capital programme) and SAP IT development costs due to reduced activity pending implementation of new Finance and HR ERP.
- (£0.3m) net underspend from £0.5m additional unidentified income balances unclaimed by Directorates offset by £0.2m overspend as budgeted target for prior year adjustments income was not achieved.

- (£0.3m) underspend on Schools Financial Services due to vacancy savings.
- (£0.5m) underspend other minor variations

City Solicitor – (£0.9m) underspend as a result of

- (£0.2m) underspend in Elections services as spend planned for a further two By-Elections in year was not required
- (£0.3m) underspend in Cabinet Office and Leader's services, mainly as a result of lower than anticipated use of the Leaders Development Fund
- (£0.3m) underspend in Legal Services as costs associated with Equal Pay claims have not materialised as originally expected
- (£0.1m) underspend due to other minor variations

Audit – (£0.3m) underspend as a result of increased recoveries from the supplier statement audit.

Key movements since Period 9

1.5 The underspend of £1.0m is an improvement of £2.1m since Period 9.

The key changes to Finance and Governance Directorate's since Period 9 are

- Development and Commercial - £0.4m increase in overspend based on latest forecast from Signature Outdoor Limited on the Digital Advertising Income. The expectation of improved sales in the run up to Christmas was not forthcoming and the national economic uncertainty continues for February to March 2020 bookings with the further impact of Covid 19.
- Development and Commercial - £0.2m overspend in Civic Catering as income generated is below that anticipated in the Period 9 forecast which was based on plans to generate additional income over Christmas and into the New Year
- Development and Commercial - £0.3m improvement as contract management procurement savings have been mitigated, mainly by managed vacancy savings.
- Service Finance - £0.7m increase in underspend on Prudential Borrowing costs (linked to the SAP capital programme) and SAP IT development due to reduced activity pending implementation of new Finance and HR ERP.
- Service Finance - £0.3m underspend from unidentified income balances offset by reduced prior year income not anticipated in the forecast.
- Service Finance - £0.2m increase in the underspend on Schools Financial Services from vacancy savings offset by reduced income.
- City Solicitor – £0.2m increase in Legal Services underspend due to lower spend than anticipated on Equal Pay third generation claims (£0.3m) partly offset by an increase in citywide legal costs in the final quarter.

- City Solicitor - £0.2m underspend in Elections services as spend planned for a further two By-Elections in year was not required.
- City Solicitor - £0.3m underspend in Cabinet Office and Leader's services, mainly as a result of lower than anticipated use of the Leaders Development Fund.
- £0.5m increased underspend due to other minor variations.

Annex 5 Human Resources

1. Executive Summary

- 1.1 The Human Resources (HR) Directorate has a net budget of £7.3m for 2019/20. At Outturn, the net spend for the year is 6.2m. This results in an underspend of £1.1m.
- 1.2 The Outturn position is **after** recommended net transfers to reserves of £0.5m, as shown in Table 1.

	Overspend/ (Underspend) £m
Table 1: Net Directorate Outturn	
Net expenditure (+ over/ - under)	(1.585)
Transfers to / (from) Grant Reserves	0.000
Transfers to / (from) Other Reserves	0.501
Net overspend / (underspend)	(1.084)

- 1.3 The Outturn position is shown in greater detail in Table 2.

Table 2: Outturn Position									
Service	Original Budget	Current Budget	Outturn	Base Budget Over/ (Under)	Savings Non-delivery	Outturn Over/ (Under)	Period 9 Over/ (Under)	Change since Period 9 (Improvement/ Deterioration)	
	£m	£m	£m	£m	£m	£m	£m	£m	%
HR Schools	0.141	0.148	(0.417)	(0.565)	0.000	(0.565)	(0.230)	(0.335)	(226.35)
HR Services	6.456	7.221	6.702	(0.519)	0.000	(0.519)	(0.220)	(0.299)	(4.14)
Directorate Total	6.597	7.369	6.285	(1.084)	0.000	(1.084)	(0.450)	(0.634)	(8.60)

Key issues

- 1.4 The Outturn underspend of £1.1m includes the following recommended transfers to reserves, totalling £0.5m:
- JADU development £0.1m transfer back to the directorate reserve. This is to support the implementation of JADU and ERP for Schools. The funding was not utilised this financial year as the systems are still in the development phase and the funding is therefore required in 2020/21.
 - JEQ Project £0.3m transfer to directorate reserve. This represents 6 months of unspent base budget. The 2-year project is now being delivered over 3 financial years.

- £0.1m to directorate reserve. This is requested to cover resourcing requirements for dual running of HR IT systems and Oracle during ERP implementation.

1.5 The key issues in year are as follows:

- HR Schools – £0.6m net underspend is made up of £0.2m underspend as a result of vacancy management, £0.2m reduced supplies and services and £0.2m surplus on traded activity.
- HR Services - £0.5m net underspend is made up of £0.2m vacancy management, £0.1m dilapidation costs for the former occupational health premises, £0.1m reduced supplies & services and £0.3m surplus on traded activity.

Key movements since Period 9

1.6 The underspend of £1.1m is an improvement of £0.6m since Period 9.

The key changes to Human Resources Directorate's over/underspend since Period 9 are:

- £0.3m less expenditure than forecast in supplies and services as a result of delays in migration of the Occupational Health booking system, reimbursement from Capita for delays in development of IT and the effect of Covid-19 lockdown on HR services.
- £0.3m additional spend reported at month 9 in supplies and services for the development of HR schools JADU system delayed to 2021 in line with the introduction of ERP.

Annex 6 Inclusive Growth Directorate

1. Executive Summary

- 1.1 The Inclusive Growth Directorate has a net budget of £98.3m for 2019/20. At Outturn, the net spend for the year is £98.7m. This results in an overspend of £0.4m.
- 1.2 The Outturn position is **after** recommended net transfers from reserves of £11.4m, as shown in Table 1.

	Overspend/ (Underspend) £m
Table 1: Net Directorate Outturn	
Net expenditure (+ over/ - under)	11.758
Transfers to / (from) Grant Reserves	(11.102)
Transfers to / (from) Other Reserves	(0.291)
Net overspend	0.365

- 1.3 The Outturn position is shown in greater detail in Table 2.

Table 2: Outturn Position									
Service	Original Budget	Current Budget	Outturn	Base Budget Over/ (Under)	Savings Non-delivery	Outturn Over/ (Under)	Period 9 Over/ (Under)	Change since Period 9 (Improvement)/ Deterioration	
	£m	£m	£m	£m	£m	£m	£m	£m	%
P&D City Centre, EZ, BDI	3.257	(0.558)	(0.884)	(0.326)	0.000	(0.326)	(1.031)	0.705	(126.34)
Transportation & Connectivity	46.159	46.327	45.342	(0.985)	0.000	(0.985)	(0.300)	(0.685)	(1.48)
P&D Strategy & Planning	0.963	4.486	3.998	(0.588)	0.100	(0.488)	(0.622)	0.134	2.99
Birmingham Property Services	(3.743)	(4.572)	(2.393)	1.933	0.246	2.179	2.732	(0.553)	12.10
Housing Development	(0.322)	(0.313)	0.310	(0.071)	0.694	0.623	0.694	(0.071)	22.68
Highways & Infrastructure	43.483	43.989	43.483	(0.969)	0.463	(0.506)	(1.100)	0.594	1.35
Inclusive Growth Director	7.718	8.928	8.797	(0.131)	0.000	(0.131)	0.000	(0.131)	(1.47)
Other Funds - Holding A/Cs	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00
Directorate Total	97.515	98.287	98.653	(1.137)	1.503	0.365	0.373	(0.007)	(0.01)

Key issues

- 1.4 Inclusive Growth Directorate has a final overspend of £0.4m. The variances by service area are as follows:
- Planning & Development (City Centre, Management & EZ) – (£0.3m) Surplus (reduction of £0.7m to month 9):
 - (£0.8m) underspend due to in-year staff vacancies and difficulties in recruiting to Planning posts unchanged. However, as a consequence there was a reduction in staff related income of £0.3m (month 9 – nil)

- £0.2m under-recovery on Planning Applications and Pre-application fees (reduction of £0.4m compared to month 9). The last three months reduction due to staff turnover and numbers of applications received.
- Transportation & Connectivity – (£1.0m) Surplus
 - Employee underspend of £1.9m offset by an overspend of £2.4m on professional and consultancy staff used, giving a net employee overspend of £0.5m
 - A surplus on employee recharges to projects of (£1.5m)
- Planning & Development (Strategy & BDI) – (£0.5m) Surplus (no overall change to month 9)
 - (0.7m) of staff vacancy savings reduction in underspend due to Planning & Development staff recruitment difficulties (no change compared to month 9)
 - 0.2m shortfall in European & International Affairs income generation (no change compared to month 9)
- Property Services - £2.2m Deficit (£0.6m improvement compared to month 9)
 - £0.3m net deficit on Property Services core services arising from less staff related income generated (£1.5m) as a result of increased employee vacancies due to recruitment difficulties (£1.2m)
 - £0.8m pressure - commercial portfolio rental income shortfall which is a reduction of £0.3m compared to month 9 due to additional one-off income through rent reviews
 - £0.3m net pressure on service charge income i.e. collection vs expenditure and appropriation to general maintenance reserve (nil at month 9)
 - (£0.2m) of insurance savings due to reductions in the portfolio
 - £0.1m pressure – commercial portfolio void business rates (reduction of £0.1m to month 9)
 - £0.4m pressure (increase of £0.1m from month 9)- new Wholesale Markets arising from void unit service charges and increased prudential borrowing costs from the demolition of the former Wholesale Markets site
 - (£0.6m) saving - Working for the Future prudential borrowing fall-out (no change to month 9)
 - £0.1m pressure - security and curatorial services (reduction of £0.1m from month 9) due to staff vacancy savings
 - £1.0m pressure (reduction of £0.6m from month 9) – central administration buildings arising from fewer repairs and maintenance jobs completed before the year-end than committed.
- Housing Development - £0.6m Deficit (reduction of £0.1m to month 9).
 - InReach surplus non-achievement of surplus target due to difficulties bringing forward schemes reduction to lower prudential borrowing requirements

- Highways & Infrastructure – (£0.5m) Surplus:
 - Employee underspend of (£0.3m) due to vacancies and employee turnover
 - (£0.8m) surplus from developers' fees relating to major project works
 - £0.2m shortfall in income from fixed penalty notices for works overruns
 - (£0.7m) surplus from parking bay suspensions due to development works in the city centre
 - £0.9m shortfall in car parking and parking enforcement income
 - £0.2 shortfall in employee recharges to projects

- Inclusive Growth Director – (£0.2m) Surplus - minor variations

Key movements since Period 9

- 1.5 The overspend is £0.4m which is unchanged from period 9. There have however been some changes within the service that should be noted as follows:
- Transport & Connectivity - £0.7m increase in surplus due to increased recharges to projects and reduced charges for services received
 - Highways & Infrastructure - £0.6m reduction in surplus:
 - £0.8m reduction in income offset by an increase of £0.5m from parking bay suspension
 - £0.1m Income reduction from Private Developments
 - £0.2m structures and systems expenditure not previously forecast
 - Planning & Development (City Centre, Management & EZ) - reduction of £0.7m surplus due to fall-out of employee related income generation of £0.3m and drop in Planning Application income of £0.4m.
 - Property Services - £0.6m reduction in deficit due to:
 - £0.3m net deficit on core services arising from less employee regenerated income
 - £0.3m saving – reduction in commercial portfolio rental income shortfall
 - £0.3m net pressure between service charge income and expenditure
 - £0.1m increase in pressure on Wholesale Markets – void service charges/rates and prudential borrowing
 - £0.2m of insurance savings due to reductions in the portfolio
 - £0.1m reduction in commercial portfolio void business rates
 - £0.1m reduction security and curatorial services
 - £0.6m reduction in central administration buildings pressure arising from fewer repairs and maintenance jobs completed before the year-end than committed

Annex 7 Neighbourhoods Directorate

1. Executive Summary

- 1.1 The Neighbourhoods Directorate has a net budget of £108.5m for 2019/20. At Outturn, the net spend for the year is £127.8m. This results in an overspend of £19.3m.
- 1.2 The Outturn position is **after** recommended net transfers to reserves of £2.2m, as shown in Table 1.

Table 1: Net Directorate Outturn	Overspend/ (Underspend) £m
Net expenditure (+ over/ - under)	17.032
Transfers to / (from) Grant Reserves	1.999
Transfers to / (from) Other Reserves	0.240
Net overspend / (underspend)	19.272

- 1.3 The Outturn position is shown in greater detail in Table 2.

Table 2: Outturn Position									
Service	Original Budget	Current Budget	Outturn	Base Budget Over/ (Under)	Savings Non-delivery	Outturn Over/ (Under)	Period 9 Over/ (Under)	Change since Period 9 (Improvement)/ Deterioration	
	£m	£m	£m	£m	£m	£m	£m	£m	%
Street Scene	66.835	67.420	78.281	10.311	0.550	10.861	8.312	2.549	3.78
Housing Services	3.760	3.559	8.578	4.719	0.300	5.019	4.283	0.736	20.67
Neighbourhoods Management	15.310	21.317	20.675	(1.242)	0.600	(0.642)	(0.366)	(0.276)	(1.29)
Regulation & Enforcement	0.315	0.645	3.529	1.476	1.409	2.885	0.984	1.901	294.92
Business Support	13.344	15.535	16.684	(0.051)	1.200	1.149	1.424	(0.275)	(1.77)
Directorate Total	99.564	108.476	127.747	15.213	4.059	19.272	14.637	4.635	4.27

Key issues

- 1.4 The key issues in year are as follows:

- Street Scene – **£10.9m** overspend as a result of the following factors:

- Increased staff and agency costs arising from the delay in the implementation of the service redesign, £4.6m.
- Higher repair and maintenance as well as hire costs incurred for waste management vehicles due to the lead time in acquiring replacement vehicles, £2.9m.
- A significant loss of external and internal customers for trade waste, street cleansing and fleet repair services has resulted in an income shortfall, £2.6m.
- A fall in market prices for mixed paper recycling has resulted in lower income levels, £0.7m.
- The cost of IT licences specifically for the waste collection service that had not been centralised £0.7m
- The external contractor costs (Waste Disposal and Public Conveniences) for 2019/20 were (£0.7m) lower than budgeted as a result of reduced tonnages being presented to the Tyseley Plant, and reduction in the number of Public Conveniences.
- The waste disposal contract for the generation of electricity raised additional income, (£0.7m).
- Due to resistance from local communities, Savings plans to dispose of parks land experienced local resistance resulting in a shortfall, £0.6m, other minor park income shortfalls, £0.2m.
- Housing Services - £5.0m overspend with an analysis of each service shown below:
 - Private Rented Sector overspend of £0.3m. An income target of £0.5m for selective licensing is built into the budget, this has not been achieved, due to not meeting the government five main criteria for the scheme. This was offset by lower staffing costs arising from vacancies of £0.2m.
 - Housing Options overspend of £4.5m was due to a delay in the implementation of savings initiatives, £1.4m, offset by vacancies averaging 31 FTE, £(1.1)m. In addition, the provision for bad debt is higher than budget by £1.6m, partly due to the increased number of customers as well as the average level of debt. Overall, with the increased demand for temporary accommodation costs have risen by £2.6m, this is demonstrated by increased average number of customers throughout the year, rising from 2,944 to 3,288. This service is a demand led service and has continually seen an increase in homelessness presentations and those being accommodated in Temporary accommodation with demand continuing to outstrip supply.
 - Shelforce – overspend of £0.2m relates to the loss of a month's sales due to Emergency directives as a response to COVID19 in March 2020.
- Neighbourhoods Division - £0.6m underspend due to a managed underspend on staffing and on controllable supplies and services, delivered to support the overall Directorate position.

- Regulation & Enforcement - £2.8m overspend relates to lower income from bereavement services and markets.
 - The volume of cremations and funerals was lower than projected throughout the year and this impacted sales income by £1.4m.
 - Void levels in markets have resulted in lower rent and service charge incomes and this has been compounded by higher debt management expenses giving a combined shortfall of £1.1m.
 - Repairs to the mortuary and technology costs have led to an overspend of £0.7m.
 - City Centre overspend of £0.2m covering the BID Ambassador post and reopening of Centenary Square.
 - Higher income of £(0.3)m from Registrar services have offset some of the above costs.
 - Funding was provided corporately for emergency hazard clearance of £0.3m.
- Business Support - £1.1m overspend as the anticipated land and property disposals did not generate the sales income for the directorate.

Key movements since Period 9

1.5 The overspend of £19.2m is a deterioration of £4.6m since Period 9.

The key changes to Neighbourhoods Directorate's overspend since Period 9 are:

- Street Scene – a deterioration of £2.5m since period 9 relates to higher employee costs amounting to £0.7m in the Waste service than originally anticipated, a continued decline in sales income from Trade Waste, Street Cleaning, Fleet Service and Parks customers, £0.8m. Despite continued efforts to minimise the cost of Vehicle Hire and Maintenance overall costs increased further by £0.8m. The emergency response to COVID19 resulted in additional costs incurred across the service, £0.2m.
- Housing Services - a deterioration of £0.7m since period 9 relates to higher demand for temporary accommodation. Although two hostels were opened in 2019/20 that increased capacity by 215 units, these were soon filled with excess demand overflows into Bed and Breakfast accommodation. Preventative and move on measures were expected to reduce tenancies to circa 3,140 in the last quarter, however, actual tenancies were on average 84 higher per week. Additional caseload increased operating costs by £0.7m and bad debt provision by £0.3m. Staff vacancy savings of £0.3m offset part of the quarterly increase.
- Neighbourhoods Division – an improvement of £0.3m due to various minor reductions in forecasted spend on IT, building repairs and supplies.
- Regulation & Enforcement – a deterioration of £1.9m was due the following: A continued decline in budgeted sales from Bereavement Services £0.4m. Higher utility and transport costs across all service areas, £0.2m. Markets the recalculation of bad debt provision and

increased legal charges to chase market traders for rent and service charges resulted in an increased overspend of £0.6m. Additional pressure for the Mortuary and Coroners (combined) of £0.3m partly mitigated by better than expected results from Register Office (£0.2m). Also additional costs of £0.2m for City Centre relating to BID management and the newly opened Centenary Square. The emergency response to COVID19 resulted in additional costs incurred across the service, £0.3m. Other minor variations £0.1m.

- Business Support – an improvement of £0.2m due to lower corporate recharges.

Covid19 costs 2019/20

1.6.1 The financial impact to the Emergency response to COVID19 restrictions the following items have impacted on the financial outturn, £0.468m:

- Street Scene, £0.2m for waste management services and parks due to loss of income and incidental costs for additional supplies.
- Housing – HRA £0.018m
- Regulation and Enforcement, £0.3m for loss of income across services such as closure of markets, further lower costs on registrars.

Annex 8 Partnerships, Insight and Prevention

1. Executive Summary

1.1 The Partnerships, Insight and Prevention (PIP) Directorate has a net budget of £6.8m for 2019/20. At Outturn, the net spend for the year is £6.6m. This results in an underspend of £0.2m.

1.2 The Outturn position is **after** recommended net transfers to reserves of £2.1m, as shown in Table 1.

	Overspend/ (Underspend) £m
Table 1: Net Directorate Outturn	
Net expenditure (+ over/ - under)	(2.286)
Transfers to / (from) Grant Reserves	2.055
Transfers to / (from) Other Reserves	0.000
Net overspend	(0.231)

1.3 The Outturn position is shown in greater detail in Table 2.

Table 2: Outturn Position									
Service	Original Budget	Current Budget	Outturn	Base Budget Over/ (Under)	Savings Non-delivery	Outturn Over/ (Under)	Period 9 Over/ (Under)	Change since Period 9 (Improvement)/ Deterioration	
	£m	£m	£m	£m	£m	£m	£m	£m	%
Communications	1.340	1.341	1.324	(0.017)	0.000	(0.017)	(0.013)	(0.004)	(0.30)
Public Health	0.040	0.148	0.126	(0.022)	0.000	(0.022)	0.000	(0.022)	(14.86)
Community Safety and Resilience	1.605	1.919	2.137	0.218	0.000	0.218	0.202	0.016	0.83
Asst. Chief Exec	3.458	3.379	2.969	(0.410)	0.000	(0.410)	(0.289)	(0.121)	(3.58)
Directorate Total	6.442	6.788	6.557	(0.231)	0.000	(0.231)	(0.100)	(0.131)	(1.93)

Key issues

1.4 The key issues in year are as follows:

- Assistant Chief Exec – (£0.4m) underspend mainly as a result of vacancies held pending implementation of new structure.
- Community Safety and Resilience - £0.2m overspend mainly relating to CCTV cameras in Emergency Planning and Resilience. A programme of

decommissioning CCTV cameras which are either obsolete, dysfunctional or no longer achieve operational requirements will avert this pressure from 2020/21 onwards, although completion of this programme has been impacted by Covid 19.

Key movements since Period 9

1.5 The underspend of £0.2m is an improvement of £0.1m since Period 9.

Education & Skills Directorate

Annex 9 Dedicated Schools Grant (DSG)

1. Executive Summary

1.1 The Dedicated Schools Grant (DSG) is a highly prescribed and ring-fenced grant which was budgeted at £636.6m. 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 the table below. The total funding for Birmingham is £1,188.1m, of which £551.5m is currently recouped by the Education Skills Funding Authority (ESFA) to directly passport funds to academies and free schools, leaving £636.6m to be funded by the City Council.

	DSG Funding £m	Less Recoupment £m	BCC Funding £m	Outturn £m	Over/ (Under) Outturn £m	Over/ (Under) Month 9 £m
Schools Block	918.160	524.835	393.324	393.567	0.243	0.000
High Needs Block	162.103	26.635	135.467	136.187	0.720	1.319
Early Years Block	89.754	0.000	89.754	87.685	(2.069)	(2.183)
Central Services Block	18.040	0.000	18.040	17.730	(0.310)	0.000
Total 2019/20 DSG	1,188.056	551.471	636.585	635.170	(1.415)	(0.864)

1.2 The key issues for 2019/20 were as follows:

Schools Block £0.2m overspent (Month 9 Balanced)

- The Schools Block was overspent by £0.2m due to:
 - overspend of £0.2m in Falling Pupil Fund
 - underspend of £0.2m on Growth Fund
 - overspend of £0.2m on de-delegated Closing Schools Contingency Fund
- The Directorate is supporting schools with deficits to either come out of deficit and/or stop them increasing. As at 31 March 2019 the net balance on school carry forward was £47.4m, which comprised £60.0m surplus balances and £12.6m deficit balances. As at 31 March 2020 the net balance on the school carry forward was £51.3m, which comprised £60.3m surplus balances from 198 schools and £9m deficit balances from 40 schools. 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.
- In the financial year 2019/20, 13 schools converted to academy status. Of the schools that converted a number have significant deficit balances that will remain with BCC, these currently amount to £5.746m in 2019/20. The extent

of the final deficits will not be confirmed until each school's deficit balance has been determined and confirmed with the school, in line with ESFA guidelines (4 months after the date of conversion).

- Although the deficit of £5.746m was covered from the DSG Closing Schools Contingency of £0.748m with most of the balance met from revenue funding released through application of capital receipts, there is still a shortfall remaining of £0.243m in 2019/20. There is less than £3m of capital receipts left for future deficits from 2020/21 onwards, which poses a significant risk.

High Needs Block £0.7m overspend (Month 9 £1.3m overspend)

The level of spend on High Needs is the second main area of concern, which is a concern nationally. At the end of 2018/19 the cumulative deficit on High Needs was £16.037m. A report to Schools Forum on the 19th June 2019 recommended the use of £2.700m of non-schools DSG reserves (other funding blocks) to reduce the cumulative High Needs Block deficit. The Directorate is developing and will be implementing a three year deficit recovery plan in 2020/21. This will be addressed as part of the additional funding of £26m which was announced in November 2019 and forms part of 2020/21 High Needs Block budget.

The net overspend on High Needs Block for 2019/20 was £0.7m (Month 9 £1.3m overspend), comprises £1.9m overspend on High Needs Service offset by underspends of £0.5m in Innovate to save project, £0.1m in LACES, £0.2m in Access to Education and £0.4m on Alternative Provision (Placements), Attendance and Independent School's & Exclusions.

The net overspend of £0.7m in the High Needs Block (Month 9 £1.3m) largely relates to the following:

High Needs Service Area

- £1.4m overspend in special schools as a result of additional place changes to top-up funding and ESN payments to reflect increased complexity of need (Month 9 £1.4m),
- £0.1m overspend in Resource Base provision (Month 9 £0.3m)
- Criteria for Special Provision £0.2m overspend (Month 9 £0.2m)
- £0.8m overspend in Colleges/ FE providers Post16 & Post19 placements (Month 9 £1.4m)
- (£2.0m) underspend in independent placement provision (including tripartite) (Month 9 £2.2m underspend)
- Early years provision £0.1m overspend
- Higher than average SEN (£0.1m) underspend (Month 9 £0.1m overspend)
- Alternative Provision initiatives £1.1m overspend (Month 9 £0.7m overspend)

- Contribution to Equipment loan scheme £0.3m overspend (Month 9 £0.3m overspend)

Innovate to save project

- A further underspend of (£0.5m) relates to the funding set aside for the Innovate to save project which will need to be set aside in reserves to support the project in 2020/21.

Virtual School – Looked After Children Education Service

- An underspend of £0.1m has arisen at out-turn due mainly to reduced staffing costs

Access to Education

- An underspend of £0.2m has arisen due to staff savings and additional income generated by the service.

Alternative Provision (Placements), Attendance and Independent School's & Exclusions

The service has underspent by £0.4m, due to:

- Saving of £0.3m as less than budgeted number of pupils being placed in alternative provision in 2019/20 to date.
- Staff vacancy saving of £0.06m
- Exclusions underspend/ income overachieved £0.04m

Early Years Block £2.0m underspend (Month 9 £2.2m underspend)

- There has been a significant underspend on Early Years of £2.0m. This has been confirmed late in the financial year due to the late notification from DFE of census information which influences the funding position and was only received mid-March. There has also been a reduction in take up for the past two years, exacerbated by the introduction of working parent conditions. Other savings relate to:
 - Higher 2 year old hours funded compared to those paid,
 - lower levels of deprivation and therefore Free School Meals paid than built into the funding formula.
- It has historically been difficult to forecast the year end position due to these factors and the implementation of the Early Years Single Funding Formula universal rate and introduction of working parents funding from September 2017, which limits the historical trend data available.

Central Schools Services Block £0.3m underspend (Month 9 Balanced)

Admissions

- An underspend of £0.2m has arisen mainly due to income overachieved £0.15m from appeals services provided and £0.05m underspend on employee budget after netting off non-pay costs. BCC has decided to charge academies for admission appeals and fund maintained and voluntary controlled schools appeals from General Fund.

Schools Forum

- An underspend of £0.1m has arisen due to delay in clarification of recipients from Schools Forum.

The table below shows the opening and closing balances of reserves related to the DSG.

	Opening Balance 01.04.2019 £m	Closing Balance 31.03.2020 £m
Schools Carry Forward balances	50.2	54.6
High Needs Block Deficit	(16.0)	(14.0)
Other Non- Schools DSG	7.3	5.6
Total	41.5	46.2

The DFE Consultation on the implementation of new arrangements for reporting DSG deficits will require all local authorities with a cumulative overspend on DSG provision in excess of 1% 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.

At 2019/20 out-turn the accumulated deficit on DSG is £8.4m which equates to 0.7% of the total gross DSG budget before recoupment. This is below the 1% threshold and therefore the Council does not have to make a formal return to the DFE. However, it recognises the need to reduce the Higher Needs deficit (which is an accumulated deficit of £14m at 2019/20 out-turn) and it has been agreed at January 2020 Schools Forum that this deficit will be repaid by the High Needs Block over the next 3 years at £5m a year starting in 2020/21.

Annex 10 Corporate Accounts

Corporate Accounts Outturn	£m
Treasury Management	2.675
Balance Sheet Management	(0.913)
VAT issue related to Sports Centres	(4.000)
Tyseley Waste Outage	1.720
Dissolution of the Pool	(0.500)
Under recovery of Pension Costs	5.031
Provision for support for subsidiary companies	0.100
Over Provision Acivico	(4.464)
Levy Account Surplus Allocations	(1.202)
Leasing Adjustment	0.890
Section 31 Surplus	(1.271)
Other	(1.546)
Policy Contingency	(4.538)
Extra Bad Debt Provision related to Covid-19	3.200
Other Covid-19 Costs	0.925
Release of IBCF Reserve into Corporate Budget	(12.831)
Total Corporate Variations	(16.724)

1. Total Corporate Variations

There is a Corporate underspend of (£16.7m) on the base budget which includes:

- There was an overspend of £2.7m on Treasury management. This variation is explained within Appendix 3 of the Report
- There was an underspend of (£0.9m) on Balance Sheet management.
- A one-off VAT refund to the Council for sports services which is providing a benefit of (£4.0m) unbudgeted income.
- There was a £1.7m overspend relating to the Tyseley Energy Recovery Facility (ERF), which experienced an incident which took the plant offline. The supplier incurred repair costs and the Council incurred additional costs to divert waste to alternative disposal sites and to Landfill.
- Following the dissolution of the Greater Birmingham and Solihull Business Rates Pool, the Council received a (£0.5m) as its share of a Contingency Reserve.
- At outturn, there was an under-recovery of pension costs of £5.0m. This is after the release of £0.8m of Specific Policy Contingency, as described in paragraph 2.2 below.
- The Council has had to set aside a provision of £0.1m arising from its support to subsidiary companies including the impact of pension guarantees to the West Midlands Pension Fund.
- The Council has been able to reduce the provision in its accounts for Acivico by (£4.5m).

- The Council has recently been notified of (£1.2m) of Levy Account Surplus Allocation from the Government. Each year the Government charges tariff authorities a levy on the business rates growth that they generate. The first call on this is to pay for any safety net payments due to local authorities whose business rates have declined. Any balance left is redistributed to local authorities. The allocations are normally announced as part of the Finance Settlement and factored into the following year's budget. The announcement has been made later this year and so has been treated as additional income in 2019/20.
- There is a charge to the accounts of £0.9m in 2019/20 relating to a technical charge relating to lease accounting.
- There has been a surplus of (£1.3m) in Section 31 Grants received from the Government over and above those identified in setting the 2020/2021 budget.
- (£1.5m) of other net underspends have been identified.
- The Council has created an additional bad debt provision in the General Fund of £3.2m to cover potential increases in bad debts due to the economic consequences of Covid-19.
- The Council has identified £0.9m of costs related to Covid-19 that have been incurred in this financial year.
- There was an underspend of (£4.5m) on Policy Contingency, as described below in paragraph 2.4.
- In the current environment the Improved Better Care Fund reserve, other than the £5.9m required in the financial plan for 2020/21, is no longer required to be earmarked and these resources are more appropriately held in the Financial Resilience Reserve. As a result the uncommitted balance of £12.8m has been released into the corporate budget.

2. Policy Contingency

2.1 Release of General Policy Contingency

- There is a proposed release of £0.1m of General Policy Contingency to fund an Independent Review to look at the future service options for the Waste Management Service. The use of Policy Contingency to fund this was approved by Cabinet on 26 March 2019.
- There is a proposed release of £0.4m of General Policy Contingency to fund a response by Environment Health to a public safety emergency called by West Midland Fire Service.
- There is a proposed release of £0.150m of General Policy Contingency to fund a Birmingham Community Investment Tax Relief (CITR) scheme to be run in partnership with Aston Reinvestment Fund (ART). This is in line with a Cabinet decision of October 2016.

2.2 Release of Specific Policy Contingency

The Gateway and Related Financial Approvals Framework requires approval from the Section 151 Officer, in conjunction with the Leader and the Chief Executive, to release funds from Specific Policy Contingency.

As part of the Council's simplification of processes, the Cabinet meeting of 30 July 2019, 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 Financial Plan and Budget 2019-2023.

- The Section 151 Officer has approved the release of £0.8m of Specific Policy Contingency to fund part of the under recovery of Pension costs.
- The Section 151 Officer has approved the release of £1.0m of Specific Policy Contingency to fund Commonwealth Games Project Team costs.

Both of these are in line with the Council Financial Plan and Budget 2019-2023.

- Cabinet approved on 17 March 2020 the release of £1.5m of Policy Contingency for Arts Endowments to provide for a debt of £1.4m related to the Midlands Art Centre (MAC) to be written off and to provide a small amount of funding (£0.031m) in 2019/20.
- Cabinet of 26 May 2020 has agreed to fund the Birmingham Childrens Trust Contract Variation of £7.0m. It is proposed to use underspends within Specific Policy Contingency to fund this.

2.3 Release of Policy Contingency in 2020-2021

It is proposed that Cabinet approve that the Section 151 Officer be given delegated authority for the verification and allocation of Specific Policy contingency in 2020/2021 to fund expenditure which is in line with the approval given as part of the Council Financial Plan and Budget 2020-2024. Progress on this would be reported to Cabinet as part of the regular Revenue Monitoring reports.

Any requests for funding from Specific Policy contingency that are not in line with the original application in the Council Financial Plan and Budget 2020-2024 will require approval by Cabinet.

2.4 Policy Contingency Reserves

There is a proposed transfer to reserves of £1.1m from Policy Contingency for approved funding which will enable projects to be carried out in later years, relating to the following:

- Information Assurance- GDPR £0.2m: to complete the two-year CLT approved programme
- Invest to Improve- Pay Review £0.3m: due to delay in use of funding allocated to mitigate potential additional spend in terms of ongoing cases and actions.
- Invest to Improve- CIPFA Review £0.2m: due to revised phasing of Finance improvement work
- HR Records and Repayment £0.2m: due to delay in ERP implementation

- Other minor variations of £0.2m

2.5 Policy Contingency Outturn

After these proposed transfers to Policy contingency Reserve, there is a net underspend on Policy contingency of £4.5m as set out in the table below:

Name of Policy Contingency	Amount of Overspend/ (Underspend) £m	Reason for Variation
Adult Social Care Demography	(4.600)	A review of items within Policy Contingency identified that £8.500m set aside for demography pressures was not required. £3.900m of this was to be used to fund an underlying pressure within Community Sport, leaving an uncommitted budget of £4.6m
Various of Specific Policy Contingency	(2.492)	underspend in Policy Contingency declared at Month 9 after a review of Specific Policy Contingency
Birmingham Childrens Trust	7.000	funding of BCT Contract variation approved by Cabinet, using underspends above
Invest to improve fund	(0.815)	underspend
Art Endowments	(0.529)	underspend
Highways Maintenance	(0.839)	underspend
Other Specific Policy Contingency	(0.554)	underspend on other Specific Policy Contingency
General Policy Contingency	(1.709)	underspend on General Policy Contingency
Total Policy Contingency Underspend	(4.538)	

Annex 11 Reserves Requests

Detailed Breakdown of Proposed (Use of)/ Contribution to Reserves at Outturn					
Directorate making request	Reserve	Reason for request	Budget Approved Period 9 £m	Changes Proposed Since Period 9 £m	Proposed (Use) /Contribution at Outturn £m
Corporate	Financial Resilience Reserve		(5.910)	0.000	(5.910)
Corporate	Financial Resilience Reserve	Repayment of Borrowing from FRR related to Pension Fund timing differences		6.233	6.233
Inclusive Growth	Financial Resilience Reserve	Repayment of Borrowing from FRR to Fund Pension Guarantees - Highways PFI		0.651	0.651
Inclusive Growth	Financial Resilience Reserve	Repayment of Borrowing from FRR to Fund Pension Guarantees - West Midlands Growth Company		0.529	0.529
Corporate	Financial Resilience Reserve	Underspend transferred to FRR	0.000	11.494	11.494
	Subtotal (Use of)/Contribution to General Reserves		(5.910)	18.907	12.997
Corporate	Capital Fund	Use of Reserves to cover residual costs of the National Exhibition Centre (NEC)	0.000	(0.128)	(0.128)
Corporate	Capital Fund	Contributions to Capital Fund from Directorates	0.000	0.394	0.394
Digital & Customer Services	Policy Contingency-Information Assurance- GDPR	To fund project in 2020/21	(0.190)	0.172	(0.018)
Finance & Governance	Policy Contingency-Invest to Improve Fund-Transformation Officer	To fund project in 2020/21	0.000	0.040	0.040
Finance & Governance	Policy Contingency-Invest to Improve Fund- CIPFA Review	To fund project in 2020/21	0.000	0.213	0.213
Human Resources	Policy Contingency-Invest to Improve Fund-Pay Review	To fund project in 2020/21	0.000	0.312	0.312
Human Resources	Policy Contingency-HR Records and Payments	To fund project in 2020/21	(0.170)	0.170	0.000
Inclusive Growth	Policy Contingency-Invest to Improve Fund- Route to Zero (R20)	To fund project in 2020/21	0.000	0.078	0.078
Neighbourhoods	Policy Contingency-Waste Management Review	To fund project in 2020/21	0.000	0.019	0.019
Partnerships, Insight & Prevention	Policy Contingency-Invest to Improve Fund-CCTV Decommissioning	To fund project in 2020/21	0.000	0.093	0.093
Partnerships, Insight & Prevention	Policy Contingency-Assurance Framework	To fund project in 2020/21	0.000	0.030	0.030
Partnerships, Insight & Prevention	Policy Contingency-Covid-19 funding	To fund project in 2020/21	0.000	0.016	0.016
Neighbourhoods	Policy Contingency-Birmingham Museum & Art Gallery	To fund costs in 2019/20	0.000	(0.059)	(0.059)
Inclusive Growth	Invest to Save Reserve	Borrowing to fund development of Workplace Parking Levy	0.000	(0.090)	(0.090)
Corporate	Covid-19 Local Authority Support Grant	Government Grant received to fund expenditure related to Covid-19	0.000	38.744	38.744
Corporate	Commonwealth Games Reserve	Use of Commonwealth Games Reserves to cover timing differences in costs of the Games	9.400	(0.940)	8.460
Corporate	Other Net Contributions to Corporate Reserves		8.322		8.322
	Subtotal (Use of)/Contribution to Corporate Reserves		17.362	39.064	56.426
Adult Social Care	Syrian Refugee Grant	Grant Received in Advance	0.700	0.330	1.030
Adult Social Care	Improved Better Care Fund (Projects)	Use of Grant Received	(5.531)	0.361	(5.171)
Adult Social Care	Controlling Migration Fund (CMF)	Use of Grant Received	0.530	(0.180)	0.350
Adult Social Care	PURE Project Grant	Grant Received in Advance	0.000	0.172	0.172
Adult Social Care	Rapid Rehousing Pathway	Grant Received in Advance	0.000	0.069	0.069
Adult Social Care	Rough Sleeping Initiative	Grant Received in Advance	0.000	0.267	0.267
Adult Social Care	Mi Friendly Cities	Grant Received in Advance	0.000	0.048	0.048
Inclusive Growth	Highways PFI Grant-Underpayments & Disputed Sum Reserve	Reserve to cover potential underpayments and disputed sums	48.397	(34.823)	13.574
Inclusive Growth	Highways Commuted Sums	Advance payment from third parties to meet ongoing annual highway maintenance liabilities of newly adopted highway assets resulting from developments etc.	(0.003)	0.608	0.605
Inclusive Growth	BCR1 Monitoring Reserve	To fund Project expenditure 2019/20	(0.105)	(0.005)	(0.111)
Inclusive Growth	SUMPS UP Reserve	To fund Project expenditure 2019/20	0.000	0.002	0.002
Inclusive Growth	Clean Air Zone TA-01849-01,02,03	To fund Project expenditure 2019/20	0.000	(0.271)	(0.271)
Inclusive Growth	Climate KIC Reserve	Funding returned £0.050m as work on project slipped due to other project work. Plus £0.025m new income from previous grant claim for future costs	(0.050)	0.075	0.025
Inclusive Growth	New Bus Fuel Reserve	To fund Project Jive which complements the Hydrogen bus project	0.000	(0.017)	(0.017)
Inclusive Growth	Wider Hospital Masterplan Reserve	To fund Wider Hospital expenditure 2019/20	0.000	(0.034)	(0.034)
Inclusive Growth	Highways Act (1980) - Section 38 Developer Contributions	Use of reserve balance for Section 38 adoptions and works related to developments	(0.060)	(0.222)	(0.282)
Inclusive Growth	Section 106 Inclusive Growth	Section 106 Income Received and Carried Forwards	2.459	0.186	2.645
Inclusive Growth	Section 106 Inclusive Growth	Use of Section 106 Grant	(0.120)	(3.345)	(3.465)
Inclusive Growth	Community Infrastructure Levy (CIL) - City Wide Projects	CIL received in year to fund future project costs	2.384	1.092	3.476
Inclusive Growth	CIL - Ladywood Ward	CIL received in year to fund future project costs	0.387	0.013	0.400
Inclusive Growth	CIL - Bournbrook & Selly Park Ward	CIL received in year to fund future project costs	0.111	0.001	0.112
Inclusive Growth	CIL - Bordesley & Highgate Ward	CIL received in year to fund future project costs	0.000	0.173	0.173
Inclusive Growth	Clean Air Zone Grant Allocation	More spend on Project in 2019/20 than originally forecast	9.854	(0.129)	9.725
Inclusive Growth	Easyrights Grant	Slippage in grant funding carried forward to complete project	0.000	0.073	0.073

Appendix A

Annex 11 Reserves Requests

Detailed Breakdown of Proposed (Use of)/ Contribution to Reserves at Outturn					
Directorate making request	Reserve	Reason for request	Budget Approved Period 9 £m	Changes Proposed Since Period 9 £m	Proposed (Use) /Contribution at £m
Neighbourhoods	Historic England Grant Moseley Rd Pool	To fund renovation works of Moseley Pool heritage site	0.000	(0.248)	(0.248)
Neighbourhoods	Modern Slavery	Slippage in grant funding carried forward to complete project	(0.117)	0.020	(0.097)
Neighbourhoods	Controlling Migration Fund	Slippage in grant funding carried forward to complete project	(0.112)	0.277	0.165
Neighbourhoods	Illegal Money Lending Reserve	Use of Grant Reserve	0.000	(0.011)	(0.011)
Neighbourhoods	Section 106 Neighbourhoods	Section 106 Income Received and Carried Forwards	0.000	2.022	2.022
Neighbourhoods	Section 106 Neighbourhoods	Use of Section 106 Grant	(0.016)	(1.080)	(1.096)
Neighbourhoods	Section 106 HRA	Section 106 Income Received and Carried Forwards	1.367	0.651	2.018
Neighbourhoods	Section 106 HRA	Use of Section 106 Grant	(3.457)	(0.091)	(3.548)
Neighbourhoods	Neighbourhood Fund	Use of Grant Reserve	0.000	(0.002)	(0.002)
Neighbourhoods	New Growth Points	Use of Grant Reserve	(0.100)	(0.059)	(0.159)
Neighbourhoods	Access Programme	Slippage in grant funding carried forward to complete project	0.000	0.148	0.148
Neighbourhoods	New Burdens	Slippage in grant funding carried forward to complete project	0.000	0.048	0.048
Neighbourhoods	Regional Intelligence Team	Slippage in grant funding carried forward to complete project	0.000	0.022	0.022
Neighbourhoods	Housing Assistance Payment Grant	Slippage in grant funding carried forward to complete project	0.000	0.025	0.025
Neighbourhoods	High Rise Cladding Survey	Slippage in grant funding carried forward to complete project	0.000	0.016	0.016
Neighbourhoods	Higher Level Stewardship Grant	Slippage in grant funding carried forward to complete project	0.000	0.151	0.151
Neighbourhoods	Pocket Parks Grant	Slippage in grant funding carried forward to complete project	0.000	0.016	0.016
Neighbourhoods	Future Parks Accelerator Fund Grant	Slippage in grant funding carried forward to complete project	0.000	0.094	0.094
Education & Skills	Section 106 Education & Skills	Section 106 Income Received and Carried Forwards	0.000	2.319	2.319
Education & Skills	Section 106 Education & Skills	Section 106 Grant appropriated	0.000	(0.409)	(0.409)
Education & Skills	Lifelong Learning skills fund	Slippage in grant funding carried forward to complete project	(0.758)	(0.297)	(1.055)
Education & Skills	Looked After Children Education Service (LACES)	Slippage in grant funding carried forward to complete project	0.000	0.077	0.077
Education & Skills	Library of Birmingham	Slippage in grant funding carried forward to complete project	0.000	0.142	0.142
Education & Skills	Oakland Young People Centre	Slippage in grant funding carried forward to complete project	0.000	0.006	0.006
Education & Skills	Lozells Youth Provision	Slippage in grant funding carried forward to complete project	0.000	0.011	0.011
Partnerships, Insight & Prevention	Public Health	To meet future Public Health recommissioning costs and liabilities.	(1.291)	1.252	(0.039)
Partnerships, Insight & Prevention	Prevent	Prevention of Violent Extremism / Counter Terrorism funded through Home Office	(0.149)	(0.045)	(0.194)
Partnerships, Insight & Prevention	Brexit funding	Fund preparations for Brexit	(0.052)	0.143	0.091
Partnerships, Insight & Prevention	INLOGOV	Slippage in grant funding carried forward to complete project	(0.026)	0.019	(0.007)
Partnerships, Insight & Prevention	Prevent - Out of School (OSS)	Funding from the Dfe for a pilot to improve safeguarding in Out of School settings.	0.000	0.075	0.075
Partnerships, Insight & Prevention	Prevent - counter extremism	Grant from the Home Office to fund Local Authority Counter Extremism - project for Female Genital Mutilation	0.000	0.010	0.010
Partnerships, Insight & Prevention	EU migration fund	To fund the provision of a community engagement project to work with Eastern European communities to bring community cohesion with existing communities	0.342	0.030	0.372
Partnerships, Insight & Prevention	Strategic Migration Partnership	Grant to provide support and accommodation for refugees and asylum seekers.	0.000	0.114	0.114
Partnerships, Insight & Prevention	Public Health - Obesity Trailblazers	Grant to formulate and deliver plans to tackle childhood obesity.	0.000	0.075	0.075
Partnerships, Insight & Prevention	Community Safety Strategy - BCSP	Grant from Police & Crime Commissioner for a programme of community safety initiatives.	0.000	0.088	0.088
Partnerships, Insight & Prevention	Community Safety Strategy - BCSP	Grant received from West Midlands Police and Crime Commissioner to fund Birmingham Community Safety Partnership work.	0.000	0.293	0.293
Finance Control	Corporate use of IBCF reserve	Redistribution of IBCF reserve		(12.831)	(12.831)
Various	Other Net Uses of Grant Reserves		(2.749)		(2.749)
Subtotal (Use of)/Contribution to Grant Reserves			51.833	(42.487)	9.347

Appendix A

Annex 11 Reserves Requests

Detailed Breakdown of Proposed (Use of)/ Contribution to Reserves at Outturn					
Directorate making request	Reserve	Reason for request	Budget Approved Period 9 £m	Changes Proposed Since Period 9 £m	Proposed (Use) /Contribution at Outturn £m
Education & Skills	EWS Fixed Penalty	The Reserve is required to fund potential payments to the DfE regarding parent's penalty charges	(0.082)	0.085	0.003
Education & Skills	Youth Promise Plus-Delivery Costs	Required to be carried forward for future match funding purposes.	(0.107)	0.250	0.142
Education & Skills	Youth Promise Plus-Match Funding	Reserves required to match fund the YPP project in the future.	0.000	0.474	0.474
Education & Skills	LOB - Archives Development Fund	Archive facility new burdens funding received in year from the National Archives due to new collections proposed to be carried forward as unable to recruit to archivist post in year.	(0.015)	0.015	0.000
Digital & Customer Services	Landing Team Reserve	To fund activity related to the transition from Capita that has slipped to 2020/21	(3.052)	0.270	(2.782)
Digital & Customer Services	ICT&D Transition Reserve	To fund slippage in expenditure as part of the transition from Capita	2.280	1.017	3.297
Digital & Customer Services	Benefits Service Transformation Reserve	To fund transformation within the Benefits Service in response to grant changes	(1.000)	0.270	(0.730)
Digital & Customer Services	Revenues NNDR Revaluations & Project Developments	To fund costs slipping into 2020-21 re Business rate revaluations & Benefits service IT project developments costs	0.000	0.938	0.938
Digital & Customer Services	Customer Services Access Strategy Programme Project Support	To fund the Customer Services Access Strategy Programme & Project Support and IT costs for developing icasework - an electronic platform.	0.000	0.247	0.247
Human Resources	Schools HR IT-Fund ERP and website development work.	To fund delayed costs of ERP Development and Implementation	(0.088)	0.088	0.000
Human Resources	Schools HR IT-ERP Staffing Costs	To fund ERP staffing costs during the parallel running period in 2020/21	0.000	0.130	0.130
Human Resources	Corporate HR-JEQ Project	To fund project for two years from September 2019 running over three financial years	0.000	0.283	0.283
Inclusive Growth	Highways Commuted Sums	Commuted sums received in-year to fund ongoing maintenance costs	(0.001)	0.026	0.025
Inclusive Growth	Bus Lane Enforcement Equipment Renewal	Additional BLE surplus to reserves and use of BLE reserves to fund capital projects ; Iron Lane and Longbridge Connectivity	1.516	(1.282)	0.234
Inclusive Growth	Clean Air Zone Reserve	To fund Project expenditure 2019/20	0.000	(0.284)	(0.284)
Inclusive Growth	Speed Camera Reserve	Reserve created from surplus to pay for ongoing maintenance for which no budget exists.	(0.027)	0.033	0.007
Inclusive Growth	Wider Hospital Masterplan Reserve	To fund Wider Hospital expenditure 2019/20	0.000	(0.015)	(0.015)
Inclusive Growth	General Maintenance Tenants Reserve	In-year service charge income collected from tenants to fund future repairs and maintenance.	0.000	0.449	0.449
Inclusive Growth	Graduate Hub Reserve	Estimated use of reserve has reduced due to Graduates being successful in gaining promotion or leaving the Council. This money will be used towards another round of recruitment in early 2020/21.	(0.458)	0.135	(0.323)
Inclusive Growth	Invest to Save - Central Admin Buildings	Timing difference in expenditure funded by borrowing from ITS Reserve	0.000	0.186	0.186
Inclusive Growth	Invest to Save - Commercial Property - Investment Strategy	Timing difference in expenditure funded by borrowing from ITS Reserve	0.000	0.215	0.215
Inclusive Growth	Invest to Save -Public Hubs	Timing difference in expenditure funded by borrowing from ITS Reserve	0.000	0.156	0.156
Inclusive Growth	Invest to Save -Public Hubs	Timing difference in expenditure funded by borrowing from ITS Reserve	0.000	0.090	0.090
Neighbourhoods	SERCO Pension Guarantee	Partial repayment of temporary borrowing	0.000	0.212	0.212
Neighbourhoods	Manor Farm Park Barn	Use of reserves carried forward from previous year	0.000	(0.019)	(0.019)
Neighbourhoods	Proceeds of Crime Act (POCA) - Illegal Money Lending Team	Net in-year balance to be carried forward for ongoing national community programmes	0.000	0.122	0.122
Neighbourhoods	Proceeds of Crime Act (POCA) - Trading Standards	Net in-year balance to be carried forward for ongoing Birmingham community programmes	0.000	0.096	0.096
Neighbourhoods	Hackney Carriages	Net in-year balance to comply with statutory guidelines	0.000	(0.554)	(0.554)
Neighbourhoods	Licensing Entertainment/General	Net in-year balance to comply with statutory guidelines	0.116	(0.116)	0.000
Neighbourhoods	Major Events (Subvention)	Balance of Reserve to be carried forwards to 2020/21	0.000	0.268	0.268
Neighbourhoods	POCA Regional Investigation Team	Net in-year balance to be carried forward for ongoing regional community programmes	0.000	0.001	0.001
Neighbourhoods	BMT Loan Guarantee	Repayment of temporary borrowing	0.000	0.215	0.215
Neighbourhoods	Old Rep Theatre	Repair work delayed until 2020/21	0.000	0.015	0.015
Finance & Governance	Unidentified Income	Contribution of Unidentified Income to Reserve	(1.112)	1.130	0.018
Finance & Governance	Insurance Reserves	Underspend against budgeted appropriations and in year underspend appropriated to reserves in line with current practice	(1.950)	1.557	(0.393)
Finance & Governance	Finance Birmingham Loan Contingency	Request in line with Cabinet approval that in year surpluses and impairments are transferred (to)from this ringfenced reserve	0.000	(0.155)	(0.155)
Finance & Governance	ERP System Temporary Reserve	Timing difference in expenditure funded by borrowing from ITS Reserve	1.016	1.450	2.466
Finance & Governance	Audit Reserve	Timing difference in expenditure funded by borrowing from ITS Reserve	0.000	0.030	0.030
Finance & Governance	Procurement Transport Strategy	Timing difference in expenditure funded by borrowing from ITS Reserve	0.000	0.060	0.060
Various	Other Net Uses of Earmarked Reserves		1.210		1.210
Subtotal (Use of)/Contribution to Earmarked Reserves			(1.753)	8.087	6.334
Education & Skills	Non-Schools Dedicated Schools Grant (DSG)	Carry forward of DSG Grant	(1.199)	2.136	0.937
Subtotal Non Schools DSG			(1.199)	2.136	0.937
	School's Reserves	Net increase in Schools Carry Forward balances		4.302	4.302
	DSG-High Needs	Borrowing from Schools Balances related to High Needs		(0.720)	(0.720)
Subtotal School's Reserves			0.000	3.582	3.582
Total (Use of)/Contribution to Reserves			60.333	29.290	89.623

Annex 12 Savings Programme

Table 2a: Overview of the Delivery of the 2019/20 Savings Programme- Original Approved Savings						
Directorate	2019/20 Agreed Savings	Fully Delivered against Programme	Fully Delivered	Not Delivered		One off Mitigations to adresss Savings Non-Delivery
	£m	%	£m	£m		£m
Adult Social Care	(14.620)	100.0	(14.620)	(0.918)		0.000
Digital & Cust Services	(2.773)	89.5	(2.483)	(0.290)		(0.290)
Education & Skills	(8.797)	1.7	(0.147)	(8.650)		(7.791)
Finance & Governance	(2.301)	72.0	(1.656)	(0.645)		(0.645)
Human Resources	(0.514)	100.0	(0.514)	0.000		0.000
Inclusive Growth	(2.836)	96.5	(2.736)	(0.234)		0.000
Neighbourhoods	(14.982)	75.3	(11.282)	(3.700)		(0.550)
Partnerships, Insight and Prevention	(0.548)	97.1	(0.532)	(0.016)		(0.016)
Directorate Subtotal	(47.371)	71.7	(33.970)	(14.453)		(9.292)
Corporate Savings	1.180	100.0	1.180	0.000		0.000
Total Programme	(46.191)	71.0	(32.790)	(14.453)		(9.292)

Table 2b: Overview of the Delivery of the 2019/20 Savings Programme- One Off Savings						
Directorate	2019/20 Agreed Savings	Fully Delivered against Programme	Fully Delivered	Not Delivered		One off Mitigations to adresss Savings Non-Delivery
	£m	%	£m	£m		£m
Adult Social Care	(1.690)	100.0	(1.690)	0.000		0.000
Digital & Cust Services	(4.145)	100.0	(4.145)	0.000		0.000
Education & Skills	0.000	n/a	0.000	0.000		0.000
Finance & Governance	(0.530)	0.0	0.000	(0.530)		(0.530)
Human Resources	(0.204)	100.0	(0.204)	0.000		0.000
Inclusive Growth	(1.934)	27.5	(0.531)	(1.403)		0.000
Neighbourhoods	(3.582)	57.3	(2.054)	(1.528)		(0.619)
Partnerships, Insight and Prevention	0.000	n/a	0.000	0.000		0.000
Directorate Subtotal	(12.085)	71.4	(8.624)	(3.461)		(1.149)
Corporate Savings	0.000	n/a	0.000	0.000		0.000
Total Programme	(12.085)	71.4	(8.624)	(3.461)		(1.149)

Annex 13 Movement in Directorate Budgets Since Period 9

Movements in Directorate Budgets from Period 9 to Outturn	
	£m
Directorate Current Net Budget at Period 9	873.545
Directorate Current Net Budget at Outturn	883.884
Movements	10.339
Detailed Movements in Directorate Budgets from Period 9 to Outturn	
	£m
Borrowing from Invest to Save Reserve	
Reversal of Temporary Reduction in Borrowing from Invest to Save Reserve to fund new ERP system	1.016
Specific Policy Contingency Allocations from Invest to Improve Fund	
Funding for Route to Zero (R20)	0.109
Funding for Transformation Finance Officer	0.073
Other Specific Policy Contingency Allocations	
Allocations to Directorates for Apprenticeship Levy	1.100
Funding for Commonwealth Games Project Team Costs	1.000
Use of Arts Endowment	1.471
Funding for Birmingham Childrens Trust Contract Variation	7.000
General Policy Contingency Allocations	
COVID-19	0.024
Waste Management Review	0.096
Cost of Hazardous Waste Incident	0.365
Funding for Birmingham Community Investment Tax Relief (CITR) scheme	0.150
Other General Policy Contingency	
BIDS Clawback	(0.040)
Contributions to Reserves	
Contribution to Commonwealth Games Reserve	(2.000)
Other	
Revenue benefits from disposal transferred to Directorates	0.198
Reduction in Revenue Benefits due to delay in disposal of assets	(0.247)
Use of Capital Fund to fund NEC Film Studio	0.023
Grand Total	10.339

Annex 14 Movements since Period 9

The principle areas of change compared with the Period 9 reported position were:

1. Directorate Position – £1.3m net deterioration

- **Adult Social Care - £0.5m net improvement** primarily relates to £0.3m increase in the cost of packages of care offset by £0.3m reduced costs relating to employees and grant payments, and net other £0.5m improvements.
- **Education & Skills - £0.1m deterioration** as a result of other minor variations
- **Finance & Government - £2.1m net improvement** primarily relates to £0.7m increase in underspend on Prudential Borrowing costs and £0.3m underspend from unidentified income balances, £0.3m improvement in managing vacancies and £1.2m improvement due to other minor variations , offset by further £0.4m worsening on Digital Advertising Income.
- **Inclusive Growth - no net change across Directorate.**
- **Human Resources - £0.6m net improvement** is mainly as a result of £0.3m delays in development of the HR schools system and £0.3m other minor variations
- **Partnerships, Insight & Prevention - £0.1m net improvement** as a result of other minor variations
- **Neighbourhoods - £4.6m net deterioration** relates to deteriorations of £2.5m on Street Scene mainly from higher employee costs and reduced Trade Waste Income, £0.7m on Housing Services through higher demand for temporary accommodation, £1.9m on Regulation & Enforcement mainly due to lower than budgeted sales from Bereavement Services, higher utility and debt management costs from Markets. These were partially offset by improvements of £0.3m on Neighbourhoods Management and £0.2m on Business Support.

2. Corporate Budgets Position – Net improvement £11.3m

- **Treasury Management - £6.3m deterioration** mainly due to a lower capitalised interest figure of £2m for the Enterprise Zone and because prudential borrowing recharged to services were lower by £3.2m. This movement is explained in more detail in Appendix 3 of the Report.
- **IBCF reserve released into Corporate budget £12.8m improvement-** In the current environment the Improved Better Care Fund reserve, other than the £5.9m required in the financial plan for 2020/21, is no longer required to be earmarked and these resources are more appropriately held in the Financial

Resilience Reserve. As a result the uncommitted balance of £12.8m has been released into the corporate budget.

- **Provision for Acivico - £3.4m improvement** due to having over-provided in the accounts in 2018/19 and an improvement in the Acivico position in 2019/20.
- **Levy Account Surplus Allocations - £1.2m net improvement.** These allocations are normally announced as part of the Finance Settlement and factored into the following year's budget. The announcement has been made later this year and so has been treated as additional income in 2019/20 from receiving unbudgeted income from Government.
- **Specific Policy Contingency - £4.3m net deterioration** relates to Specific Policy Contingency not required, including the £0.8m balance of Invest to Improve funding, £0.5m relating to Arts Endowments, and £1.4m other Specific Policy Contingency not required, offset by the funding of Birmingham Childrens Trust contract variation £7.0m.
- **General Policy Contingency - £1.7m net improvement** relates to the balance of General Policy Contingency not required.
- **Leasing Adjustment - £0.9m deterioration** relates to a technical accounting adjustment.
- **Section 31 Grants £1.3m improvement** relates to further Government Grants received.
- **Provision for Support for subsidiary companies - £4.2m improvement.** The provision previously expected was no longer required at outturn.
- **Additional commitments for Insurance Claims - £2.2m improvement** as expected additional commitments have not materialised to the level expected, and the remaining commitments will be funded through other routes.
- **Pension Fund Under-recovery - £1.5m deterioration** at Outturn due to reduced employee costs leading to further under-recovery of Pensions.
- **Extra Bad Debt Provision relating to Covid-19 - £3.2m deterioration.** The Council has estimated that it needs to increase the provision for Bad Debts by £3.2m due to the economic effects of Covid-19.
- **Costs relating to Covid-19 - £0.9m deterioration.** Costs incurred by the Council in 2019/20.
- **Other variations £1.6m net improvements.**

Capital Outturn 2019/20**1.0 Overview**

- 1.1 The total capital outturn was £432.324m. This is £(203.835)m below the planned expenditure of £636.159m as follows:

	£m Previous Quarter 3	£m Qtr 4 Movements	£m Annual Total
2019/20 Original Budget	631.505		631.505
Change in budget	4.654	0.000	4.654
2019/20 Revised Budget	636.159	0.000	636.159
Less: Cumulative Slippage	(134.687)	(80.389)	(215.076)
Less: Forecast/actual (under) / overspends	1.029	10.212	11.241
Equals: Outturn	502.501	(70.176)	432.324

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

- (1) Changes in the timing of budgeted expenditure, where the expenditure is still required but takes place later than planned (slippage) or earlier than planned (acceleration); and
- (2) Underspends or overspends, which represent a decrease or increase in the total capital cost of a project (which may be over several years).

Slippage of £(134.687)m and an overspend of £1.029m were reported previously at Quarters 2 & 3. Further slippage of £(80.389)m and a further net overspend of £10.212m are now being reported at outturn 2019/20.

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

2. Reasons for variations

- 2.1 Annex 1 summarises actual capital expenditure for 2019/20 by Directorate. It also shows the further variations against the final budget over and above what has been reported previously.

Annex 2 provides details of the budget changes between Quarter 3 and Outturn and also describes the reasons for major variations, by Directorate.

4. Financing of Capital Expenditure

- 4.1 The proposed financing arrangements in respect of City Council capital expenditure in 2018/19 of £432.324m are summarised below:

Financing method	£m
Borrowing	97.305
Government Grants	193.227
Capital Receipts	61.510
Other Grants and Contributions	10.096
HRA use of Revenue Resources (incl. MRR)	58.989
Use of Revenue Resources	11.197
Total financing	432.324

- 4.2 The Budget 2019+ included a strategy to maximise the availability of capital receipts to fund equal pay liabilities, and to use the Government's capital receipts flexibility to meet the cost of eligible projects generating revenue savings in later years. Accordingly, borrowing where possible has been used to finance the outturn capital programme in place of capital receipts, in order to make receipts available for equal pay and the capital receipts flexibility.
- 4.3 Actual prudential borrowing of £97.305m is less than the £268.251m originally planned in the Financial Plan 2019-2023. This is due largely to slippage in the capital programme described above in relation to projects funded from prudential borrowing. Monitoring of the full prudential indicators at outturn is set out in Annex 5 to the Treasury Management annual report (Appendix C)

Capital Outturn as at 31st March 2020

Capital Expenditure 2019/20 by Directorate

	(a) 2019/20 Quarter 3 Approved Budget	(b) New Schemes & Resources	(c) 2019/20 Quarter 4 Revised Budget (a+b)	(d) Previously Reported Variation	(e) Further Variation Quarter 4	2019/20 Outturn (c+d+e)
	£m	£m	£m	£m	£m	£m
Adult Social Care	12.029	0.000	12.029	2.308	2.337	16.674
Education & Skills	74.971	0.000	74.971	(8.148)	7.709	74.532
Neighbourhoods						
Neighbourhood Other	36.037	0.000	36.037	(22.000)	(1.057)	12.980
Housing Revenue Account	114.721	0.000	114.721	(9.289)	1.108	106.540
Total Neighbourhoods Directorate	150.758	0.000	150.758	(31.289)	0.051	119.520
Inclusive Growth						
Planning & Development	58.882	0.000	58.882	(14.093)	(10.467)	34.322
Transportation	97.294	0.000	97.294	(65.520)	(5.295)	26.479
Highways	3.912	0.000	3.912	(2.271)	0.468	2.109
Housing Development	0.085	0.000	0.085	0.000	(0.085)	0.000
Property Services	10.155	0.000	10.155	(1.873)	(0.128)	8.154
Total Inclusive Growth Directorate	170.328	0.000	170.328	(83.757)	(15.507)	71.064
Finance & Governance	33.761	0.000	33.761	(2.384)	(4.179)	27.198
Digital & Customer Services	13.640	0.000	13.640	(6.363)	(2.054)	5.223
Commonwealth Games	179.922	0.000	179.922	(4.025)	(58.534)	117.363
Assistant Chief Executive	0.750	0.000	0.750	0.000	0.000	0.750
	636.159	0.000	636.159	(133.658)	(70.177)	432.324

Ref.	Quarter 3 Budget £m	Quarter 4 Budget £m	Change £m
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ADULT SOCIAL CARE DIRECTORATE**Adult Care & Health**

Property Schemes	0.731	0.731	0.000
Adults IT	1.020	1.020	0.000
Improvements To Social Care Delivery	0.000	0.000	0.000
Independent Living	10.278	10.278	0.000
Total Adult Social Care Directorate	12.029	12.029	0.000

EDUCATION AND SKILLS DIRECTORATE**Education & Early Years**

Devolved Capital Allocation to Schools	3.379	3.379	0.000
School Condition Allocations	16.103	16.103	0.000
Basic Need - Additional School Places	50.301	50.301	0.000
Other Minor Schemes - Schools	0.013	0.013	0.000
EarlyYrs&Childcare	1.057	1.057	0.000
IT Investment	1.818	1.818	0.000
S106 Woodlinton Road	0.252	0.252	0.000
Total Education & Early Years	72.923	72.923	0.000

Skills & Employability

Adult Ed & Youth	1.141	1.141	0.000
Birmingham Libraries	0.907	0.907	0.000
Total Skills & Employability	2.048	2.048	0.000

Total Education and Skills Directorate

74.971	74.971	0.000
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NEIGHBOURHOODS DIRECTORATE**Street Scene**

Waste Management Services	11.876	11.876	0.000
Parks & Nature Conservation	17.001	17.001	0.000
Total Street Scene	28.877	28.877	0.000

Housing Services

Housing Options Service	0.284	0.284	0.000
Private Sector Housing	0.685	0.685	0.000

Housing Revenue Account

Housing Improvement Programme	71.016	71.016	0.000
Redevelopment	38.243	38.243	0.000
Other Programmes	5.462	5.462	0.000
Total Housing Revenue Account	114.721	114.721	0.000

Total Housing Services

115.690	115.690	0.000
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Neighbourhoods

Community, Sport & Events	2.487	2.487	0.000
Neighbourhoods	0.002	0.002	0.000
Cultural Development	3.076	3.076	0.000

Ref.	Quarter 3 Budget £m	Quarter 4 Budget £m	Change £m
Total Neighbourhoods	5.565	5.565	0.000
<u>Regulation & Enforcement</u>			
Bereavement	0.095	0.095	0.000
Markets Services	0.244	0.244	0.000
Environmental Health	0.009	0.009	0.000
Mortuary/Coroners	0.278	0.278	0.000
Total Regulation & Enforcement	0.626	0.626	0.000
Total Neighbourhoods Directorate	150.758	150.758	0.000
<u>INCLUSIVE GROWTH DIRECTORATE</u>			
<u>Planning & Development</u>			
Major Projects			
Enterprise Zone - Paradise Circus	32.978	32.978	0.000
Enterprise Zone - Site Development & Access	2.500	2.500	0.000
Enterprise Zone - Connecting Economic Opportunities	1.115	1.115	0.000
Enterprise Zone - Southern Gateway Site	0.450	0.450	0.000
Enterprise Zone - Southside Public Realm	0.000	0.000	0.000
Enterprise Zone - LEP Investment Fund	0.000	0.000	0.000
Enterprise Zone - HS2-Interchange Site	0.000	0.000	0.000
EZ Phase II - HS2 Station Environment	2.438	2.438	0.000
EZ Phase II - HS2 Site Enabling	1.500	1.500	0.000
EZ Phase II - Local Transport Improvements	0.000	0.000	0.000
EZ Phase II - Metro Extension to E Bham/Solihull	0.000	0.000	0.000
EZ Phase II - Social Infrastructure	0.000	0.000	0.000
EZ Capitalised Interest	3.960	3.960	0.000
Jewellery Quarter Cemetery	1.295	1.295	0.000
Unlocking Housing Sites	5.554	5.554	0.000
Life Sciences	0.000	0.000	0.000
Other (Major Projects)	0.263	0.263	0.000
Total Major Projects	52.053	52.053	0.000
Employment & Skills	2.171	2.171	0.000
Public Realm	4.339	4.339	0.000
Infrastructure/Site Enabling Programme	0.319	0.319	0.000
Grants/Loans Programme	0.000	0.000	0.000
Total Planning & Development	58.882	58.882	0.000
<u>Housing Development</u>			
In Reach	0.085	0.085	0.000
CWG-Sale To In Reach	0.000	0.000	0.000
Total Housing Development	0.085	0.085	0.000
<u>Transport Connectivity</u>			
Major Schemes			
Ashted Circus	0.730	0.730	0.000
Metro Extension	0.150	0.150	0.000

	Quarter 3 Budget £m	Quarter 4 Budget £m	Change £m
Ref.			
Iron Lane	4.207	4.207	0.000
Minworth Unlocking	0.000	0.000	0.000
Battery Way Extension	2.015	2.015	0.000
Longbridge Connectivity	0.336	0.336	0.000
A457 Dudley Road	0.955	0.955	0.000
Journey Reliability	0.674	0.674	0.000
Tame Valley Phase 2 & 3	2.097	2.097	0.000
Selly Oak New Road Phase 1B	6.000	6.000	0.000
Wharfdale Bridge	2.542	2.542	0.000
Snow Hill Station	4.268	4.268	0.000
Other (Major Schemes)	2.828	2.828	0.000
Total Major Schemes	26.802	26.802	0.000
Inclusive & Sustainable Growth	60.552	60.552	0.000
Walking & Cycling	9.203	9.203	0.000
Local Measure	0.000	0.000	0.000
Infrastructure Dev	0.725	0.725	0.000
Transportation & highways Funding Strategy	0.000	0.000	0.000
Section 278/S106	0.012	0.012	0.000
Total Transport Connectivity	97.294	97.294	0.000
Highways Infrastructure			
Safer Routes to Schools	0.669	0.669	0.000
Network Integrity and Efficiency	1.572	1.572	0.000
S106 & S278 Schemes	0.069	0.069	0.000
Road Safety	0.854	0.854	0.000
District Schemes	0.748	0.748	0.000
Total Highways Infrastructure	3.912	3.912	0.000
Property Services			
Attwood Green Parks	0.059	0.059	0.000
AttwoodGreen-Holloway Head Playing Field	0.038	0.038	0.000
Attwood Green-Woodview Community Centre	0.090	0.090	0.000
Council House Major Works	0.000	0.000	0.000
Bham Crisis Centre-Nursery Extension	0.005	0.005	0.000
Lee Bank Business Centre	0.000	0.000	0.000
Highbury Hall Essential Works	0.463	0.463	0.000
Property Strategy	9.500	9.500	0.000
Total Property Services	10.155	10.155	0.000
Total Inclusive Growth Directorate	170.328	170.328	0.000
DIGITAL & CUSTOMER SERVICES DIRECTORATE			
ICT & Digital	13.640	13.640	0.000
Total Digital & Customer Services Directorate	13.640	13.640	0.000
FINANCE & GOVERNANCE DIRECTORATE			
Development & Commercial			
Gateway/Grand Central Residual Costs	12.800	12.800	0.000
Capital Loans & Equity	1.000	1.000	0.000
Total Development & Commercial	13.800	13.800	0.000

Ref.	Quarter 3 Budget £m	Quarter 4 Budget £m	Change £m
Corporately Held Funds			
Revenue Reform Projects	14.547	14.547	0.000
Corporate Capital Contingency	5.000	5.000	0.000
Total Corporately Held Funds	19.547	19.547	0.000
SAP Investments	0.414	0.414	0.000
Total Finance & Governance Directorate	33.761	33.761	0.000
ASSISTANT CHIEF EXECUTIVE DIRECTORATE			
Public Health	0.750	0.750	0.000
Total Assistant Chief Executive Directorate	0.750	0.750	0.000
COMMONWEALTH GAMES 2022			
CWG Village	164.926	164.926	0.000
CWG Alexander Stadium	2.187	2.187	0.000
CWG Organising Cttee	12.809	12.809	0.000
Total Commonwealth Games 2022	179.922	179.922	0.000
Total Capital Programme	636.159	636.159	0.000

Ref.	2019/20 Outturn				Movement Since Quarter 3 £m	(Slippage) / Acceleration £m	Overspend / (Underspend) £m
	Current Budget £m	2019/20 Outturn £m	Quarter 4 Variation £m	Quarter 3 Variation £m			

ADULT SOCIAL CARE DIRECTORATE

Adult Care & Health

Property Schemes		0.731	0.610	(0.121)	0.000	(0.121)	(0.121)	0.000
Adults IT		1.020	0.285	(0.735)	(0.692)	(0.043)	(0.043)	0.000
Improvements To Social Care Delivery		0.000	0.000	0.000	0.000	0.000	0.000	0.000
Independent Living	ASC1	10.278	15.779	5.501	3.000	2.501	2.501	0.000
Total Adult Social Care Directorate		12.029	16.674	4.645	2.308	2.337	2.337	0.000

EDUCATION AND SKILLS DIRECTORATE

Education & Early Years

Devolved Capital Allocation to Schools		3.379	3.635	0.256	0.000	0.256	0.256	0.000
School Condition Allocations	ES1	16.103	15.378	(0.725)	(1.900)	1.175	1.115	0.060
Basic Need - Additional School Places	ES2	50.301	52.473	2.172	(5.000)	7.172	7.172	0.000
Other Minor Schemes - Schools		0.013	0.000	(0.013)	0.000	(0.013)	(0.013)	0.000
EarlyYrs&Childcare		1.057	0.921	(0.136)	0.000	(0.136)	(0.136)	0.000
IT Investment		1.818	1.152	(0.666)	0.000	(0.666)	(0.666)	0.000
S106 Woodlinton Road		0.252	0.409	0.157	0.157	0.000	0.000	0.000
Total Education & Early Years		72.923	73.968	1.045	(6.743)	7.788	7.728	0.060

Skills & Employability

Adult Ed & Youth		1.141	0.297	(0.844)	(0.841)	(0.003)	0.128	(0.131)
Birmingham Libraries		0.907	0.267	(0.640)	(0.564)	(0.076)	(0.128)	0.052
Total Skills & Employability		2.048	0.564	(1.484)	(1.405)	(0.079)	0.000	(0.079)

Total Education and Skills Directorate

74.971	74.532	(0.439)	(8.148)	7.709	7.728	(0.019)
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NEIGHBOURHOODS DIRECTORATE

Street Scene

Waste Management Services		11.876	2.812	(9.064)	(9.051)	(0.013)	(0.013)	0.000
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		2019/20 Outturn				Movement Since Quarter 3 £m	(Slippage) / Acceleration £m	Overspend / (Underspend) £m
Ref.		Current Budget £m	2019/20 Outturn £m	Quarter 4 Variation £m	Quarter 3 Variation £m			
Parks & Nature Conservation		17.001	6.504	(10.497)	(10.030)	(0.467)	(0.580)	0.113
Total Street Scene		28.877	9.316	(19.561)	(19.081)	(0.480)	(0.593)	0.113
<u>Housing Services</u>								
Housing Options Service		0.284	0.303	0.019	0.160	(0.141)	(0.064)	(0.077)
Private Sector Housing		0.685	0.186	(0.499)	(0.353)	(0.146)	(0.148)	0.002
<u>Housing Revenue Account</u>								
Housing Improvement Programme	NB1	71.016	75.646	4.630	0.000	4.630	(4.733)	9.363
Redevelopment	NB2	38.243	26.736	(11.507)	(9.289)	(2.218)	(2.218)	0.000
Other Programmes	NB3	5.462	4.158	(1.304)	0.000	(1.304)	(0.906)	(0.398)
Total Housing Revenue Account		114.721	106.540	(8.181)	(9.289)	1.108	(7.857)	8.965
Total Housing Services		115.690	107.029	(8.661)	(9.482)	0.821	(8.069)	8.890
<u>Neighbourhoods</u>								
Community, Sport & Events		2.487	2.320	(0.167)	(0.144)	(0.023)	(0.024)	0.001
Neighbourhoods		0.002	0.000	(0.002)	(0.002)	0.000	0.000	0.000
Cultural Development		3.076	0.262	(2.814)	(3.000)	0.186	(0.011)	0.197
Total Neighbourhoods		5.565	2.582	(2.983)	(3.146)	0.163	(0.035)	0.198
<u>Regulation & Enforcement</u>								
Bereavement		0.095	(0.154)	(0.249)	0.000	(0.249)	(0.249)	0.000
Markets Services		0.244	0.645	0.401	0.655	(0.254)	(0.257)	0.003
Environmental Health		0.009	0.000	(0.009)	0.000	(0.009)	(0.009)	0.000
Mortuary/Coroners		0.278	0.045	(0.233)	(0.235)	0.002	0.002	0.000
Illegal Money Lending Team		0.000	0.057	0.057	0.000	0.057	0.000	0.057
Total Regulation & Enforcement		0.626	0.593	(0.033)	0.420	(0.453)	(0.513)	0.060
Total Neighbourhoods Directorate		150.758	119.520	(31.238)	(31.289)	0.051	(9.210)	9.261

Ref.	2019/20 Outturn				Movement Since Quarter 3 £m	(Slippage) / Acceleration £m	Overspend / (Underspend) £m
	Current Budget £m	2019/20 Outturn £m	Quarter 4 Variation £m	Quarter 3 Variation £m			

INCLUSIVE GROWTH DIRECTORATE

Planning & Development

Major Projects

Enterprise Zone - Paradise Circus	IG1	●	32.978	20.261	(12.717)	(8.765)	(3.952)	(3.952)	0.000
Enterprise Zone - Eastside Locks			2.500	0.000	(2.500)	(2.500)	0.000	0.000	0.000
Enterprise Zone - Connecting Economic Opportunities			1.115	0.258	(0.857)	(0.565)	(0.292)	(0.292)	0.000
Enterprise Zone - Smithfield Fees			0.450	0.419	(0.031)	0.000	(0.031)	(0.031)	0.000
Enterprise Zone - Southside Public Realm			0.173	0.195	0.022	0.216	(0.194)	(0.194)	0.000
Enterprise Zone - LEP Investment Fund			0.000		0.000	0.000	0.000		
Enterprise Zone - HS2-Interchange Site			0.000		0.000	0.000	0.000		
EZ Phase II - HS2 Station Environment			2.438	0.904	(1.534)	(0.547)	(0.987)	(0.987)	0.000
EZ Phase II - Old Curzon Station Building			1.500	0.000	(1.500)	(1.400)	(0.100)	(0.100)	0.000
EZ Phase II - Local Transport Improvements			0.000		0.000	0.000	0.000		
EZ Phase II - Metro Extension to E Bham/Solihull			0.000		0.000	0.000	0.000		
EZ Phase II - Social Infrastructure			0.000		0.000	0.000	0.000		
EZ Capitalised Interest			3.960	3.173	(0.787)	(0.298)	(0.489)	(0.489)	0.000
Jewellery Quarter Cemetary			1.295	1.326	0.031	0.000	0.031	0.031	0.000
Unlocking Housing Sites	IG2	●	5.554	2.095	(3.459)	0.000	(3.459)	(3.459)	0.000
Life Sciences			0.000	0.001	0.001	0.000	0.001	0.000	0.001
Other (Major Projects)			0.000	0.477	0.477	0.000	0.477	0.000	0.477
Property Investment/Business Growth ERDF			2.171	1.793	(0.378)	0.000	(0.378)	(0.378)	0.000
Total Major Projects			54.134	30.902	(23.232)	(13.859)	(9.373)	(9.851)	0.478
Public Realm	IG3	●	4.339	3.248	(1.091)	0.000	(1.091)	(1.091)	0.000
Infrastructure/Site Enabling Programme			0.319	0.010	(0.309)	(0.234)	(0.075)	(0.015)	(0.060)
Grants/Loans Programme			0.000	0.072	0.072	0.000	0.072	0.000	0.072

		2019/20 Outturn						
Ref.		Current Budget £m	2019/20 Outturn £m	Quarter 4 Variation £m	Quarter 3 Variation £m	Movement Since Quarter 3 £m	(Slippage) / Acceleration £m	Overspend / (Underspend) £m
Minor Projects		0.090	0.090	0.000	0.000	0.000	0.000	0.000
Total Planning & Development		58.882	34.322	(24.560)	(14.093)	(10.467)	(10.957)	0.490
Housing Development								
In Reach		0.085	0.000	(0.085)	0.000	(0.085)	(0.085)	0.000
CWG-Sale To In Reach		0.000		0.000	0.000	0.000		
Total Housing Development		0.085	0.000	(0.085)	0.000	(0.085)	(0.085)	0.000
Transport Connectivity								
Major Schemes								
Ashted Circus		0.730	0.187	(0.543)	(0.230)	(0.313)	(0.313)	0.000
Metro Extension		0.150	0.374	0.224	0.100	0.124	0.124	0.000
Iron Lane		4.207	4.265	0.058	(0.008)	0.066	0.066	0.000
Minworth Unlocking		0.000		(0.000)	0.000	(0.000)		
Battery Way Extension		2.015	1.837	(0.178)	0.000	(0.178)	(0.178)	0.000
Longbridge Connectivity		0.336	0.423	0.087	(0.150)	0.237	0.237	0.000
A457 Dudley Road		0.955	0.966	0.011	(0.205)	0.216	0.216	0.000
Journey Reliability		0.674	0.036	(0.638)	(0.389)	(0.249)	(0.249)	0.000
Tame Valley Phase 2 & 3		2.097	0.712	(1.385)	(1.052)	(0.333)	(0.333)	0.000
Selly Oak New Road Phase 1B		6.000	4.034	(1.966)	(2.000)	0.034	0.034	0.000
Wharfdale Bridge		2.542	0.022	(2.520)	(2.522)	0.002	0.002	0.000
Snow Hill Station		4.268	0.497	(3.771)	(4.018)	0.247	0.247	0.000
Other (Major Schemes)		2.828	0.800	(2.028)	(1.939)	(0.089)	(0.089)	0.000
Total Major Schemes		26.802	14.153	(12.649)	(12.413)	(0.236)	(0.236)	0.000
Inclusive & Sustainable Growth	IG4	60.552	7.213	(53.339)	(48.387)	(4.952)	(4.952)	0.000
Walking & Cycling		9.203	3.974	(5.229)	(4.818)	(0.411)	(0.411)	0.000
Local Measure		0.000	0.009	0.009	0.000	0.009	0.009	0.000
Infrastructure Dev		0.725	0.637	(0.088)	0.098	(0.186)	(0.186)	0.000

Ref.	2019/20 Outturn				Movement Since Quarter 3 £m	(Slippage) / Acceleration £m	Overspend / (Underspend) £m
	Current Budget £m	2019/20 Outturn £m	Quarter 4 Variation £m	Quarter 3 Variation £m			
Transportation & highways Funding Strategy	0.000		0.000	0.000	0.000		
Section 278/S106	0.012	0.493	0.481	0.000	0.481	0.481	0.000
Total Transport Connectivity	97.294	26.479	(70.815)	(65.520)	(5.295)	(5.295)	0.000
Highways Infrastructure							
Safer Routes to Schools	0.669	0.330	(0.339)	(0.400)	0.061	0.061	0.000
Network Integrity and Efficiency	1.572	1.030	(0.542)	(0.750)	0.208	0.208	0.000
S106 & S278 Schemes	0.069	0.106	0.037	0.000	0.037	0.037	0.000
Road Safety	0.854	0.412	(0.442)	(0.572)	0.130	0.130	0.000
District Schemes	0.748	0.231	(0.517)	(0.549)	0.032	0.032	0.000
Total Highways Infrastructure	3.912	2.109	(1.803)	(2.271)	0.468	0.468	0.000
Property Services							
Attwood Green Parks	0.059	0.000	(0.059)	0.000	(0.059)	(0.059)	0.000
AttwoodGreen-Holloway Head Playing Field	0.038	0.022	(0.016)	0.000	(0.016)	(0.016)	0.000
Attwood Green-Woodview Community Centre	0.090	0.000	(0.090)	0.000	(0.090)	(0.090)	0.000
Council House Major Works	0.000	0.131	0.131	0.000	0.131	0.000	0.131
Bham Crisis Centre-Nursery Extension	0.005	0.004	(0.001)	0.000	(0.001)	(0.001)	0.000
Lee Bank Business Centre	0.000	0.038	0.038	0.000	0.038	0.000	0.038
Highbury Hall Essential Works	0.463	0.044	(0.419)	(0.373)	(0.046)	(0.046)	0.000
Property Strategy	9.500	7.915	(1.585)	(1.500)	(0.085)	(0.085)	0.000
Total Property Services	10.155	8.154	(2.001)	(1.873)	(0.128)	(0.297)	0.169
Total Inclusive Growth Directorate	170.328	71.064	(99.264)	(83.757)	(15.507)	(16.166)	0.659
DIGITAL & CUSTOMER SERVICES DIRECTORATE							
ICT & Digital	13.640	5.223	(8.417)	(6.363)	(2.054)	(2.182)	0.128
Total Digital & Customer Services Directorate	13.640	5.223	(8.417)	(6.363)	(2.054)	(2.182)	0.128
FINANCE & GOVERNANCE DIRECTORATE							

		2019/20 Outturn						
Ref.		Current Budget £m	2019/20 Outturn £m	Quarter 4 Variation £m	Quarter 3 Variation £m	Movement Since Quarter 3 £m	(Slippage) / Acceleration £m	Overspend / (Underspend) £m
Development & Commercial								
	Gateway/Grand Central Residual Costs	12.800	0.219	(12.581)	(12.600)	0.019	0.017	0.002
	Capital Loans & Equity	1.000	0.759	(0.241)	(0.500)	0.259	0.259	0.000
	Total Development & Commercial	13.800	0.978	(12.822)	(13.100)	0.278	0.276	0.002
Corporately Held Funds								
	Revenue Reform Projects	14.547	25.783	11.236	11.407	(0.171)	(0.171)	0.000
FG1	Corporate Capital Contingency	5.000	0.000	(5.000)	(0.475)	(4.525)	(4.525)	0.000
	Total Corporately Held Funds	19.547	25.783	6.236	10.932	(4.696)	(4.696)	0.000
	SAP Investments	0.414	0.256	(0.158)	(0.216)	0.058	0.058	0.000
	Other	0.000	0.181	0.181	0.000	0.181	0.000	0.181
	Total Finance & Governance Directorate	33.761	27.198	(6.563)	(2.384)	(4.179)	(4.362)	0.183
ASSISTANT CHIEF EXECUTIVE DIRECTORATE								
	Public Health	0.750	0.750	0.000	0.000	0.000	0.000	0.000
	Total Assistant Chief Executive Directorate	0.750	0.750	0.000	0.000	0.000	0.000	0.000
COMMONWEALTH GAMES 2022								
	CWG Village	164.926	105.887	(59.039)	0.000	(59.039)	(59.039)	0.000
	CWG Alexander Stadium	2.187	4.974	2.787	2.189	0.598	0.598	0.000
	CWG Organising Cttee	12.809	6.502	(6.307)	(6.214)	(0.093)	(0.093)	0.000
	Total Commonwealth Games 2022	179.922	117.363	(62.559)	(4.025)	(58.534)	(58.534)	0.000
	Total Capital Programme	636.159	432.324	(203.835)	(133.658)	(70.177)	(80.389)	10.212

CAPITAL OUTTURN - OUTTURN VARIATIONS (QUARTER 4) - COMMENTARY

ADULT SOCIAL CARE DIRECTORATE

Ref	Major capital variations and associated key issues	2019/20		
		Reported Quarter 4 £m	Reported Quarter 3 £m	Movement Since Quarter 3 £m
ASC1	Independent Living - Further progression of the backlog of cases from previous years which were held up due to a legal challenge, and an increased number of referrals in 2019/20 has resulted in an outturn acceleration of £5.5m, this is an increase of £2.5m from Q3. Referrals in this financial year have greatly increased and there was a substantial amount of work in progress at the end of the financial year that needed to be accrued for. This will be funded by the budget originally profiled for 2020/21	5.501	3.000	2.501

EDUCATION AND SKILLS DIRECTORATE

Ref	Major capital variations and associated key issues	2019/20		
		Reported Quarter 4 £m	Reported Quarter 3 £m	Movement Since Quarter 3 £m
ES1	<u>School Condition Allocations</u> This is a combination of acceleration on the SCA budget and slippage on the unsupported borrowing to fund Academy conversions. The additional acceleration reflects the fact that there has been less downtime in relation to works on site due to favourable weather conditions. It should be noted that there are no adverse financial implications and capital funding will be accelerated to match the year end expenditure. The final balances advised by the Schools team for Academy Conversions were lower than forecasted. This funding will be slipped into future years to support further school conversions.	(0.725)	(1.900)	1.175
ES2	<u>Basic Need - Additional School Places</u> The additional acceleration reflects a number of factors including the impact of the approval of the Skilts relocation project in December 2019, which has resulted in a further £2.1m spend being incurred. In addition, the good weather that we have experienced over the winter period has allowed projects to progress quicker as there was less downtime on site. Turves Green Girls and Saltley Academy projects were also progressed quicker than anticipated resulting in an additional £2.5m and £2.1 acceleration respectively. It should be noted that there are no adverse financial implications and capital funding will be accelerated to match this expenditure.	2.172	(5.000)	7.172

NEIGHBOURHOODS DIRECTORATE

Ref	Major capital variations and associated key issues	2019/20		
		Reported Quarter 4 £m	Reported Quarter 3 £m	Movement Since Quarter 3 £m
NB1	<u>Housing Improvement Programme</u> - Slippage of (£4.165m) on the Sprinkler Programme due to poor performance with one contractor and delays on some sites. Overspends on the Fire Protection Programme of £5.750m due to High priority fire panel replacement programme; Heating & Window Programmes £2.454m due to increased cost of windows at Inkerman House and the urgent upgrade of 2 communal sites due to health and safety reasons; Kitchens & Bathroom Programme £0.468m due to a higher than projected volume on voids along with £0.123m of Other minor overspends.	4.630	0.000	4.630
NB2	<u>Redevelopment</u> Slippage of (£1.616m) on the Birmingham Municipal Housing Trust Programme schemes mainly due to the effects of Covid in March, also the scheme at Erasmus Road was delayed due to obtaining possession of the site as a Housing Assoc. had been using a compound for nearby works; and the Bangham Pitt scheme has been held up due to party wall neegotiations. Slippage of (£0.602m) on the Clearance Programme due mainly to a delay in acquiring properties in Dearmont Road due to issues with the seller and service disconnection issues on the Kings Norton and Heath House schemes.	(11.507)	(9.289)	(2.218)
NB3	<u>Other Programmes</u> - Slippage of (£0.906m) on the Adaptations Programme due to delayed start on site and Underspends of (£0.398m) on other minor schemes.	(1.304)	0.000	(1.304)

INCLUSIVE GROWTH DIRECTORATE

Ref	Major capital variations and associated key issues	2019/20		
		Reported Quarter 4 £m	Reported Quarter 3 £m	Movement Since Quarter 3 £m
IG1	<u>Paradise Circus</u> Slippage of £3.952m at Outturn - following the revised Business Case submission to the GBSLEP the project has taken considerably longer than it would have hoped to satisfy the GBSLEP's revised funding conditions. This delay impacted on the programme and has necessitated re-sequencing of the construction programme causing slippage into 2020/21	(12.717)	(8.765)	(3.952)

IG2	<u>Unlocking Stalled Housing</u> Slippage of £3.459m - An application to the GBSLEP to reprofile the capital budget is in course and confirmation is awaited to reprofile through to 31st March 2021. This programme is fully committed however, due to the nature of the scheme which is providing grants for sites with complex issues, it is necessary to extend the timescales as payment is only made when construction has progressed sufficiently. The programme will see some delays due to Covid 19 but with many projects already complete the success of the scheme remains undoubted.	(3.459)	0.000	(3.459)
IG3	<u>Public Realm</u> - Slippage of £1.091m - Minor variances across various schemes.	(1.091)	0.000	(1.091)
IG4	<u>Inclusive & Sustainable Growth</u> The additional slippage from quarter 3 relates to the following: 1) Clean Air Hydrogen Bus Pilot (£3.156m) - Procurement of the 20 Hydrogen Buses has been deferred for up to 6 months (to September 2020), at the request of the Council's chosen Bus Operator, due to the adverse impact of COVID-19 on its operations. In the meantime, the spend profile for the project will be reviewed to take into account the possible impact of COVID-19 on the Bus Manufacturer's processes and possible disruption to its supply chain. The project officer has been in contact with the funders - the funding remains available, but the Council must demonstrate that the project can go ahead as soon as conditions permit within the deferment period. This was reported in the quarter 3 monitoring as a risk in achieving the forecast outturn for 2019/20. 2) Clean Air Zone (£1.528m) - Further slippage to the CAZ programme as reported in the quarter 3 monitoring. The profound impact of COVID-19 is creating a high level of uncertainty amongst delivery partners. The operational date has now been postponed to at least 2021. 3) Other (£0.268m) - Additional slippage across various projects.	(53.339)	(48.387)	(4.952)

DIGITAL & CUSTOMER SERVICES DIRECTORATE

Ref	Major capital variations and associated key issues	2019/20		
		Reported Quarter 4 £m	Reported Quarter 3 £m	Movement Since Quarter 3 £m
DCS1	<u>ICT & Digital</u> - (£0.7m) Slippage - Modern Workplace programme – The programme was intended to be complete in 19/20 but some service areas were unable to complete their implementations and then COVID also impacted the tail end. Application Platform Modernisation programme (£1.2m) due to delays caused by a contractor working within procurement team and delays in placing hardware and tooling contracts. Slippage of (£0.154m) on other minor Network schemes.	(8.417)	(6.363)	(2.054)

FINANCE & GOVERNANCE DIRECTORATE

Ref	Major capital variations and associated key issues	2019/20		
		Reported Quarter 4 £m	Reported Quarter 3 £m	Movement Since Quarter 3 £m
FG1	<u>Corporate Capital Contingency</u> - The Council did not need to use all its budgeted contingency in the year.	(5.000)	(0.475)	(4.525)

COMMONWEALTH GAMES 2022

Ref	Major capital variations and associated key issues	2019/20		
		Reported Quarter 4 £m	Reported Quarter 3 £m	Movement Since Quarter 3 £m
CWG1	<u>CWG Village</u> - Continued slower than anticipated progress on land acquisitions following confirmation of the CPO, with consequential delays in overall demolition progress. Construction of accommodation element is also subject to further delays due to extended negotiations with Tier 1 contractors and slow down in works undertaken in March as on-site works were suspended due to COVID.	(59.039)	0.000	(59.039)

TREASURY MANAGEMENT ANNUAL REPORT**1. Outline**

This report reviews the results of the full financial year as well as providing quarter 4 monitoring information in line with normal quarterly management reporting. The most significant elements of treasury management activity during 2019/20 were:

- At 31st March 2020, the Council's total loan debt net of treasury investments stood at £2,998.3m, compared to the net loan debt of £3,213.3m as at 31st March 2019.
- City Council treasury investments held at 31st March 2020 were £246.6m. This was higher than originally planned due to collecting funds for a three year pension payment in April and receipt of COVID grants in advance from the Government. The Council also held investments of £104.4m as accountable body.
- The City Council did not breach any of its prudential limits set under the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance.
- Loan interest, repayment charges and associated costs totalled £265.8m gross, and £112.3m after recharges to other services. This was £2.6m above the budget of £109.7m. This was due largely to capital programme slippage offset by lower than budgeted borrowing cost recharges.

2. Background

- 2.1 The City Council, like all local authorities, is permitted by government to finance capital investment and day to day cash flows from borrowing, in accordance with the prudential borrowing system. The Council's net loan debt at 31st March 2020 stood at £2,998.3m (excluding accountable body investments). This report reviews how the debt and associated investments were managed during the financial year 2019/20.
- 2.2 The City Council has adopted CIPFA's Code of Practice for Treasury Management in the Public Services which includes the requirement to present a treasury management Annual Report.
- 2.3 Loans and investments are shown at nominal value unless otherwise indicated, consistent with budget and monitoring reports and the Prudential Indicators. The basis of accounting in the Financial Accounts is different in some cases where required by proper accounting practices.

3. The objective of treasury management

- 3.1 CIPFA defines the objective of Treasury Management as "the management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks". In balancing risk against return, Local Authorities should be more concerned to avoid risks than to maximise return. In particular, this requires a balance to be struck when borrowing between:
 - a) The security offered by long term fixed rate funding;
 - b) The expected cost of short term and variable rate funding, compared with long term funding

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

4. Financial markets during 2019/20

- 4.1 The financial year to December 2019 was dominated by global economic uncertainty as the US and China continued their stand-off in trade talks; the expected slowdown in global growth led the Federal Reserve to cut interest rates three times between July and September. The turnaround in interest rate expectations prompted global financial markets to rally although bond yields remained volatile. The UK continued to grapple with leaving the European Union but a snap General Election in December allowed the new government to achieve Brexit in January 2020.
- 4.2 However, the spread of the COVID-19 virus profoundly affected global markets in the final quarter of 2019/20 as countries went into lockdown and

governments and central banks announced measures to support businesses. Global equities suffered steep declines and bond yields fell as investors favoured their perceived safety. Oil prices plunged due to a weakened outlook for demand. In the UK, the Bank of England, in line with other central banks, reduced interest rates drastically, cutting by 65 basis points to a record low of 0.10%. Government gilt yields were extremely volatile during this period; during March 2020 alone, the UK 10 year yield fell to 0.10%, then rose to 0.82% before falling back to 0.32%. The impact can be seen in the PWLB borrowing rates available to local authorities (see chart at Annex 1).

- 4.3 The coronavirus has significantly weakened investment credit risks as Credit Risk Default Swaps (CDS), an indicator of credit risk, rose sharply towards the end of the year. Risks to the Council's investments remained low as it mainly invests in liquid AAA rated money market funds.

5. Treasury strategy and activities during the year

- 5.1 The City Council's actual net loan debt at 31st March 2020 was £2,998.3m compared to the expected net loan debt at the time of the Original Budget in March 2019 of £3,532.7m. This is due to slippage in capital expenditure and other cashflow movements across the Council. Additional long term loans taken amounted to £180m compared to the original assumption of £225m new long term borrowing.

- 5.2 The treasury strategy implemented in the year:

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

- 5.3 Opportunities to improve risk management or make savings by prematurely repaying loans are kept under review. Market conditions proved favourable for the early repayment of £30.0m of the Council's LOBO loans during the year, as set out in Annex 2. The Council was advised by its treasury advisers Arlingclose on this repurchase, which results in significant cost reductions over time.

- 5.4 The City Council's Treasury Strategy in recent years has sought to maintain a significant exposure to short-term and variable-rate borrowing in order to take advantage of cheaper short-term rates at around bank base rate. The variable and short term borrowing was £292.1m at 31st March 2020 (see Table 7.1). This was borrowed at an average rate of 0.97%. By borrowing short term rather

than more expensive long term fixed rate loans, savings were generated, but at the risk that interest rates may subsequently rise. The short term debt portfolio size remained below the £550m indicated in the Treasury Management Strategy, as the Council's borrowing needs during the year were lower than forecast.

- 5.5 The majority of the Council's borrowing needs during the year were still met from short term borrowing, minimising interest costs. £180m of long term fixed rate borrowing was taken during the year from the PWLB, at interest rates from 1.57% to 2.31%. £30.0m of the new PWLB loans were taken to refinance the premature repayment of some LOBO loans (details are provided at Annex 2).
- 5.6 £150m of the £180m new PWLB loans were taken out before 9 October 2019 when HM Treasury, the government department responsible for the PWLB, increased the margin over gilt yields from 80bps to 180bps. Annex 1 shows that that rates since October have been substantially higher than the rates under the old policy, although they are still low when compared to historical PWLB rates.
- 5.7 HRA loan debt is accounted for separately in accordance with the two pool debt system, which the Council introduced following the reform of Housing Subsidy. The level of HRA loan debt has decreased from £1,064.8m, to £1,056.8m, taking account new capital investment and HRA debt repayment provision (or MRP) in the year. No long term loans were taken for the HRA during the year other than refinancing the LOBO prepayments, in order to maintain prudent exposure for the HRA to cheaper short term interest rates.

6. Investment management

- 6.1 Under the current treasury strategy, a working balance of around £40m short term investments is targeted in order to provide liquidity to meet cash flow fluctuations.
- 6.2 Treasury Investments are made in accordance with the creditworthiness criteria in the Treasury Management Policy and are also reported to Cabinet as part of the quarterly capital monitoring reports in line with the liquidity management objective for investments. Lending has continued to be limited to short periods less than a year to the institutions within the Treasury Management Policy's criteria. A range of information has been used to assess investment risk, in addition to credit ratings. Regular meetings are held to review outstanding investments and criteria for new investments in the light of developments in market conditions. None of the Council's treasury investments has defaulted.
- 6.3 Actual investments are reported quarterly to Cabinet as part of accountability for decisions made under treasury management delegations. Annex 3.1 lists all investments made during Quarter 4 of 2019/20 for the Council.

6.4 Investments outstanding at 31st March 2020 are summarised as follows.

Period Outstanding	Value Invested £m	Weighted Average Interest Rate %
Instant Access	42.63	0.47%
Fixed Overnight	81.00	0.07%
Up to 3 months	123.00	0.54%
3 to 6 months	0	0.00%
Total	246.63	0.37%

6.5 The Council also continues to manage substantial funds as Accountable Body for an increasing number of Government programmes: the Growing Places Fund, the Regional Growth Fund and the Advanced Manufacturing Supply Chain Initiative (AMSCI). These funds are managed by the Council but are not the Council's own money. The unspent balance of the funds at 31st March 2020 was £104.4m as set out in Annex 3.2. These funds are being invested in accordance with the Accountable Body agreements in very low-risk deposits with the UK Government (predominantly in the DMADF and Treasury Bills).

7. Debt profile

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

Debt Profile (General Fund and HRA combined)	31.03.19 £m	31.03.20 £m
Fixed rate over 40 years	250.0	70.0
Fixed rate 20 to 40 years	1,261.2	1,351.2
Fixed rate 10 to 20 years	734.1	883.7
Fixed rate 5 to 10 years	419.1	301.2
Fixed rate 1 to 5 years	131.9	306.5
Fixed < 1 year (note 1)	80.0	40.2
Variable and short term	416.6	292.1
Gross Debt	3,292.9	3,244.9
Investments < 1 year	(79.6)	(246.6)
Net Debt	3,213.3	2,998.3

Note: LOBO loans shown at final maturity

- 7.2 The average interest rate paid on all the Council's debt in 2019/20 was 4.40%. This includes the cost of historic debt taken when fixed interest rates were higher.
- 7.3 The above maturity profile assumes that Lender's Option Borrower's Option (LOBO) loans are repaid at their final maturity date. A full maturity profile at 31st March 2020 compared to 31st March 2019 is given in Annex 4.
- 7.4 At 31st March 2020 the debt portfolio included £71.1m LOBOs, less than 3% of the total portfolio. No LOBO loans have had their options called by the lenders since the arrangements were entered into. Given the current and forecast low interest rate environment it is considered to be a low risk that this will take place in the foreseeable future.

8. Revenue cost of borrowing

- 8.1 The actual net cost of borrowing to corporate treasury budgets was £112.3m. This is £2.6m above the budget, due largely to capital programme slippage offset by lower than budgeted borrowing cost recharges. The Treasury Management outturn is summarised in the table below:

	Budget £m	Actual £m	Variation £m
Gross interest payable	132.2	132.3	0.1
Interest receivable	(0.3)	(0.7)	(0.4)
Revenue charge for debt repayment	152.3	148.7	(3.6)
Early payment discount - Pension	(16.8)	(16.8)	0.0
Other Costs	5.1	2.3	(2.8)
Total Treasury Management Budget	272.5	265.8	(6.7)
<i>Less recharges to:</i>			
HRA	(71.8)	(67.2)	4.6
Other Services	(91.0)	(86.3)	4.7
Net Corporate Treasury	109.7	112.3	2.6

9. Prudential Indicators

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

10. Risk management and performance

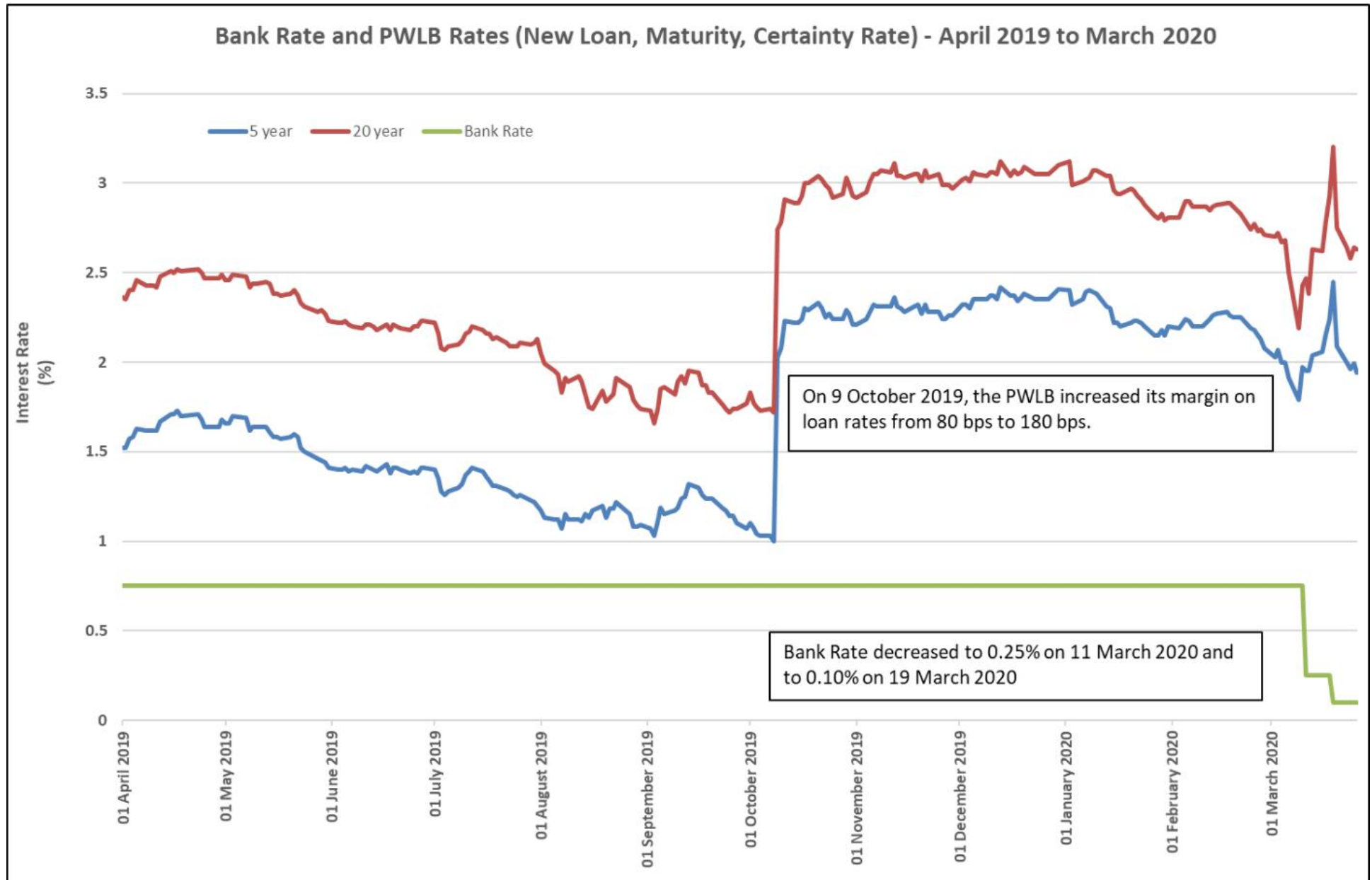
- 10.1 Risk management is at the centre of treasury performance and monitoring. The City Council has adopted the CIPFA Treasury Management Code's policy recommendation that "the successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of its treasury management activities will be measured."
- 10.2 There is no single quantitative measure which summarises the management of the different types of treasury risk and their financial impact. Key reporting and review processes include:
- Quarterly monitoring reports to Cabinet provide an overview of key treasury decisions and indicators.
 - The adequacy of risk control arrangements are tested regularly by internal and external audit.
 - The City Council's Treasury Management Policy and Strategy sets out policies, limits and strategies for managing treasury risks, which have been reviewed throughout this report.

Headline indicators include:

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

11. Decisions taken under treasury management delegations

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



Appendix 3

1st April 2019 - 31st March 2020

Annex 2

New Long Term Loans taken out during the year.

Date of loan	Loan	Counter Party	Interest Rate	Maturity Date
17 June 2019	£30m	PWLB	2.14%	17 June 2037
09 August 2019	£30m	PWLB	1.63%	09 August 2033
20 August 2019	£30m	PWLB	1.72%	20 August 2069
05 September 2019	£30m	PWLB	1.57%	05 September 2037
11 March 2020	£30m	PWLB	1.88%	09 March 2030

New Long Terms Loans to fund LOBO refinancing.

Date of loan	Loan	Counter Party	Interest Rate	Maturity Date
28 May 2019	£30.00m	PWLB	2.31%	28 May 2038

Long Term Loans prematurely repaid during the year.

Date of repayment	Loan/ (Repayment)	Counter Party	Interest Rate	Maturity Date	Premia/ (Discounts)
28 May 2019	£30.00m	Commerzbank LOBO	4.48%	24 November 2065	£18.0m

Annex 3.1

Treasury Management Investment Details
1st January 2020 to 31st March 2020

New Investments Market Fixed Term Deposits

Date Out	Date In	Borrower	Amount £	Interest Rate
21/02/2020	23/03/2020	Thurrock Council	5,000,000	0.95%
04/03/2020	23/03/2020	Thurrock Council	10,000,000	0.90%
23/03/2020	20/04/2020	Thurrock Council	15,000,000	1.00%
20/03/2020	21/04/2020	Middlesbrough Borough Council	5,000,000	1.75%
20/03/2020	21/04/2020	Forest of Dean District Council	5,000,000	1.75%
20/03/2020	21/04/2020	Wirral Metropolitan Borough Council	5,000,000	1.75%
23/03/2020	23/04/2020	Surrey County Council	10,000,000	1.80%

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

New Investments Call Accounts

	<u>No of Transactions</u>		Average	Average
	Investments	Withdrawals	Balance £	Rate Earned
Barclays Bank PLC FIBCA A/C	5	10	1,903,034	0.55%
Svenska Handelsbanken	11	11	15,413,636	0.55%
HSBC	0	0	1,110,539	0.30%

New Investments Money Market Funds

	<u>No of Transactions</u>		Average	Average
	Investments	Withdrawals	Balance £	Rate Earned
Aberdeen Standard Liquidity Fund	7	7	10,926,374	0.64%
Amundi Money Market Fund	3	5	23,564,835	0.67%
Federated Money Market Fund	5	10	4,596,703	0.72%
JPMorgan Sterling Liquidity Fund	11	25	17,810,989	0.55%
LGIM Sterling Liquidity Fund	2	4	5,280,220	0.46%

Note

This appendix reports on the exercise of investment delegations to the Corporate Director of Finance & Governance in the last quarter of the financial year.

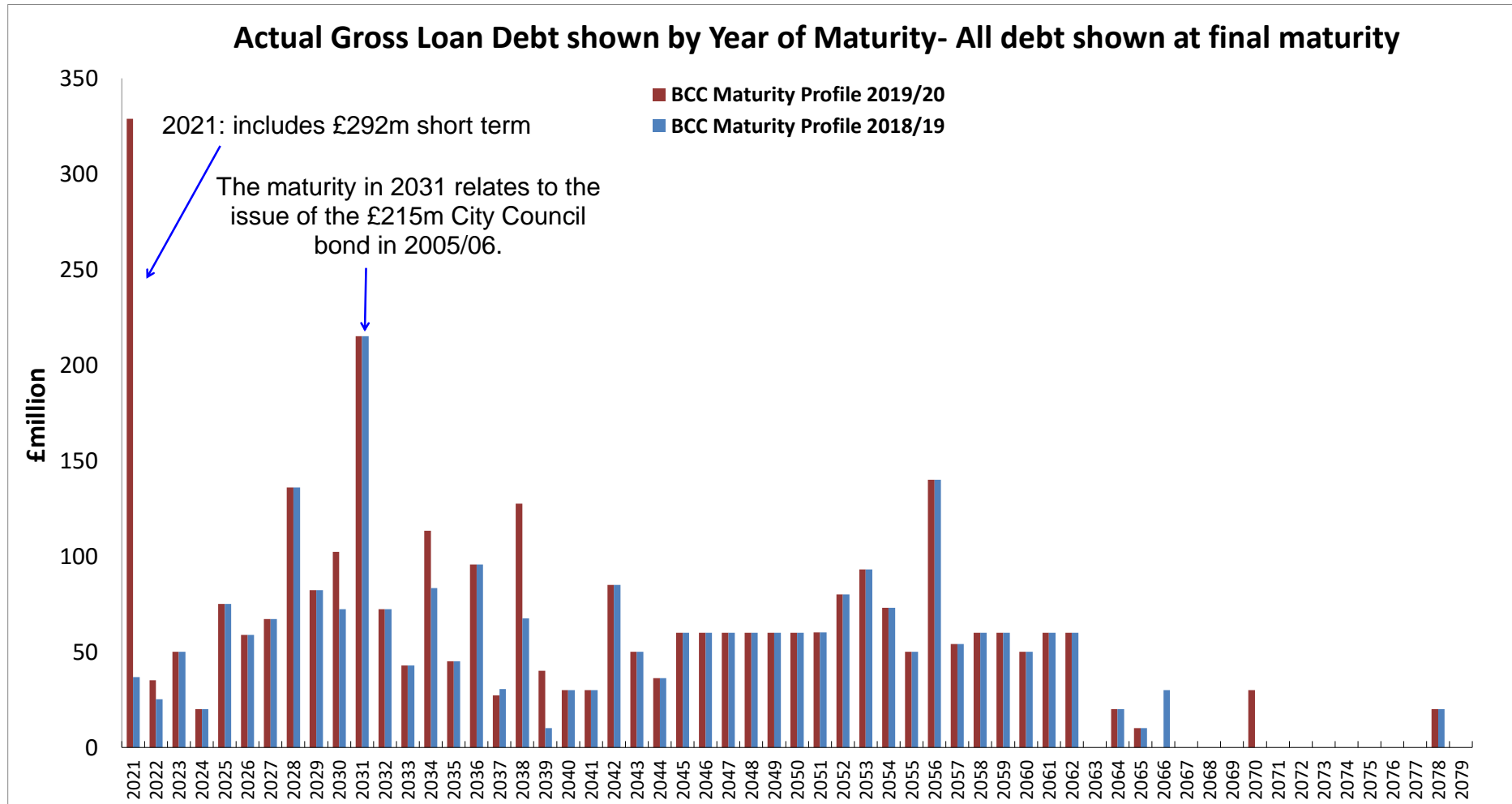
Investment activity in previous quarters has been reported in the relevant quarterly Capital & Treasury Monitoring to Cabinet.

Accountable Body Investments - 31st March 2020

	Advanced Manufacturing Supply Chain Initiative	Growing Places Fund	LGF3 Fund	LOGRO Fund	National Manufacturing Competitiveness Levels	Regional Growth Fund	Total
	£000	£000	£000	£000	£000	£000	£000
BlackRock Money Market Fund				31,972	320		32,291
Goldman Sachs Money Market Fund	8	70	7,997	561		1,993	10,628
J P Morgan Money Market Fund						27	27
Morgan Stanley Money Market Fund	26,158	3,821				6,475	36,454
Total Money Market Funds	26,166	3,891	7,997	32,533	320	8,495	79,400
Debt Management Office							0
Treasury Bills		9,996		9,989		4,998	24,983
							0
Total Accountable Body investments	26,166	13,887	7,997	42,522	320	13,493	104,383

Note

This appendix shows amount invested externally by The Council as Accountable Body.
These are separate from The Council's own investments.



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

**Annex
5A**

DEBT AND PRUDENTIAL INDICATORS

WHOLE COUNCIL		19/20 Indicators £m	19/20 Outturn £m
Capital Finance			
1	Capital Expenditure - Capital Programme	631.5	432.3
2	Capital Expenditure - other long term liabilities	36.3	12.7
3	Capital expenditure	667.8	445.0
4	Capital Financing Requirement (CFR)	4,731.8	4,531.2
Planned Debt			
5	Peak loan debt in year	3,590.5	3,313.9
6	+ Other long term liabilities (peak in year)	432.5	434.7
7	= Peak debt in year	4,023.0	3,748.6
8	does peak debt exceed year 3 CFR?	no	no
Prudential limit for debt			
9	Gross loan debt	3,867.5	3,313.9
10	+ other long term liabilities	432.5	434.7
11	= Total debt	4,300.0	3,748.6
Notes			
1	Forecast capital expenditure has increased since the indicator was set due to additions to the capital programme, as reported in the quarterly capital monitoring reports.		
4	The Capital Financing Requirement represents the underlying level of borrowing needed to finance historic capital expenditure (after deducting debt repayment charges). This includes all elements of CFR including Transferred Debt.		
5-7	These figures represent the forecast peak debt (which may not occur at the year end). The Prudential Code calls these indicators the Operational Boundary.		
8	It would be a cause for concern if the City Council's loan debt exceeded the CFR, but this is not the case due to positive cashflows, reserves and balances. The Prudential Code calls this Borrowing and the Capital Financing Requirement.		
11	The Authorised limit for debt is the statutory debt limit. The City Council may not breach the limit it has set, so it includes allowance for uncertain cashflow movements and potential borrowing in advance for future needs.		

DEBT AND PRUDENTIAL INDICATORS**Annex
5B****HOUSING REVENUE ACCOUNT**

	19/20 Indicators £m	19/20 Outturn £m
Capital Finance		
1 Capital expenditure	134.0	106.5
HRA Debt		
2 Capital Financing Requirement (CFR)	1,051.9	1,067.8
Affordability		
3 HRA financing costs	96.7	103.3
4 HRA revenues	273.8	274.2
5 HRA financing costs as % of revenues	35.3%	37.7%
6 HRA debt : revenues	3.8	3.9
7 Forecast Housing debt per dwelling	£17,446	£17,670

Notes

- 4 Financing costs include interest, and depreciation rather than Minimum Revenue Provision (MRP), in the HRA.
- 7 This indicator is not in the Prudential Code but is a key measure of long term sustainability. This measure is forecast to fall below 2.0 by 2026/27, which is two years later than previously forecast.
- 8 This indicator is not in the Prudential Code but is a key measure of affordability: the HRA debt per dwelling should not rise significantly over time.

DEBT AND PRUDENTIAL INDICATORS

**Annex
5C**

GENERAL FUND		19/20	19/20
		Indicators	Outturn
		£m	£m
Capital Finance			
1	Capital expenditure (including other long term liabilities)	533.8	338.4
2	Capital Financing Requirement (CFR)	3,680.0	3,463.4
General Fund debt			
3	Peak loan debt in year	2,538.6	2,246.1
4	+ Other long term liabilities (peak in year)	432.5	434.7
5	= Peak General Fund debt in year	2,971.1	2,680.8
General Fund Affordability			
6	Total General Fund financing costs	249.3	244.3
7	General Fund net revenues	851.6	851.6
8	General Fund financing costs (% of net revenues)	29.3%	2%
9	General Fund financing costs (% of gross revenues)	22.4%	22.4%

Note

- 4 Other long term liabilities include PFI, finance lease liabilities, and transferred debt liabilities.
- 6 Financing costs include interest and MRP (in the General Fund), for loan debt, transferred debt, PFI and finance leases.
- 8 This indicator includes the gross revenue cost of borrowing and other finance, including borrowing for the Enterprise Zone and other self-supported borrowing.
- 9 This is a local indicator measuring finance costs against relevant gross income including revenues from sales, fees, charges and rents, which are available to support borrowing costs.

**Annex
5D**

PRUDENTIAL INDICATORS

TREASURY MANAGEMENT

19/20 19/20
Indicators Outturn

Interest rate exposures

**Outturn
Maximum**

1	upper limit on fixed rate exposures	130%	96%
2	upper limit on variable rate exposures	30%	15%

Maturity structure of borrowing

Limit Outturn
Year End

	(lower limit and upper limit)		
3	under 12 months	0% to 30%	10%
4	12 months to within 24 months	0% to 30%	1%
5	24 months to within 5 years	0% to 30%	4%
6	5 years to within 10 years	0% to 30%	14%
7	10 years to within 20 years	5% to 40%	25%
8	20 years to within 40 years	10% to 60%	39%
9	40 years and above	0% to 40%	7%

Investments longer than 364 days

upper limit on amounts maturing in:

		Limit	Outturn
10	1-2 years	400	0
11	2-3 years	100	0
12	3-5 years	100	0
13	later	0	0

Note

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

HOUSING REVENUE ACCOUNT – FINANCIAL COMMENTARY 2019/20**1. Executive Summary**

1.1 The Housing Revenue Account has a net budget of £0.0m for 2019/20. At Outturn, the net surplus for the year is £3.1m, after net transfers to reserves of £4.1m. This surplus results in a net revenue balance of £8.541m (consisting of a brought forward balance of £5.423m plus current year balances of £3.118m).

1.2 The Outturn position is shown in Table 1.

	Overspend/ (Underspend) £m
Table 1: Net Directorate Outturn	
Net income	(7.225)
Transfers to / (from) Grant Reserves	0.0
Transfers to / (from) Other Reserves	4.107
Net deficit / (surplus)	(3.118)

1.3 The Outturn position is shown in greater detail in Table 2.

Table 2: Outturn Position							
Service	Original Budget	Current Budget	Outturn	Outturn Over/ (Under)	Period 9 Over/ (Under)	Change since Period 9 (Improvement) / Deterioration	
	£m	£m	£m	£m	£m	£m	%
Total Income	(273.754)	(274.075)	(275.136)	(1.061)	(1.890)	0.829	0.30
Repairs	61.697	61.697	58.889	(2.808)	(0.200)	(2.608)	(4.23)
General Management	73.033	72.984	68.195	(4.789)	(0.610)	(4.179)	(5.73)
Estate Services	17.926	18.296	18.358	0.062	1.110	(1.048)	(5.73)
Revenue Funding of Capital	51.249	51.249	58.531	7.282	2.090	5.192	10.13
Capital Financing	69.849	69.849	68.045	(1.804)	(0.500)	(1.304)	(1.87)
Total Expenditure	273.754	274.075	272.018	(2.057)	1.890	(3.947)	(1.44)
Net (Surplus) / Deficit	0.000	0.000	(3.118)	(3.118)	0.000	(3.118)	

Key issues

1.4 The key issues in year are as follows:

- Income – **(£1.1m)** over-recovery as a result of the following factors:
 - Higher average rent per property than budgeted (£0.3m).
 - Good performance on the level of void properties resulting in a higher rental income (£0.4m).
 - Higher than budgeted notional interest due to the level of balances (£0.5m)
 - Various other changes resulting in a net reduction on income of £0.1m.
- Repairs – **(£2.8m)** underspend due to the following factors:
 - Reduced number of properties becoming void in the year (£1.0m).
 - Lower than budgeted performance related payments to contractors (£0.6m)
 - Capitalisation of Housing Liaison Board works and works funded from earmarked arials income (£0.5m).
 - Savings on void council tax due to reduced number of void properties and clarifications on charges due to the HRA (£0.8m).
 - Various other changes resulting in a net overspend of £0.1m.
- General Management – **(£4.8m)** underspend due to the following factors:
 - Savings on bad debt costs (£1.9m) mainly on HRA current arrears which, whilst they have increased to £13.7m, an increase of £1.2m, this was below the target increase of £2.8m due to active management with tenants in arrears.
 - Savings on recharges from the Housing Rent Service and Birmingham Property Services due to underspend on various elements, including employees and legal charges (£1.7m)
 - Savings on employees due to vacancies as a result of ongoing work on the Housing Services redesign (£1.1m)
 - Various other changes resulting in a net underspend of (£0.1m).
- Estates - **£0.1m** overspend due to the following factors:
 - Overspend on utility costs of £0.8m due to transfer of provision to another provider and finalising across various sites.
 - Underspend on employees as a result of vacancies on areas of service with a higher level of turnover (£0.5m).
 - Underspend on caretaker relief room maintenance as a result of work being carried out on the capital programme (£0.2m).
- Revenue Funding of Capital - **£7.3m** overspend due to the following factors:
 - Additional funding of capital programme due to overspend on various elements of the Housing Improvement Programme, including fire protection works.
- Capital Financing – **(£1.8m)** underspend due to the following factors:
 - Saving on capital financing due to improved rate of interest compared to the budgeted value

Key movements since Period 9

- 1.5 The underspend of £3.1m is an improvement on the balanced position identified at Period 9.

The key changes to the Housing Revenue Account position since Period 9 are :

- Income – a deterioration of 0.8m since period 9 is due to savings identified on the level of voids being lower than forecast due to the number of voids in the last quarter, £0.6m; and various other changes, £0.2m.
- Repairs – an improvement of (£2.6m) since period 9 relates to savings on council tax on void properties (£1.0m); reduced performance payments to contractors (£0.5m); Acivico managed maintenance expenditure on Lifts and Legionella lower than forecast due to the bulk of work being carried out in the earlier part of the year (£0.6m); savings on other main repair contract budgets due to lower number of properties (£0.4m); and other minor changes (£0.1m).
- General Management – an improvement of (£4.2m) due to savings on recharges from the Housing Rent Service and Birmingham Property Services (£1.7m); the improved performance on arrears compared to budget (£2.3m); additional savings on employee budgets (£0.3m); and a net deterioration of other changes £0.1m.
- Revenue Funding of Capital – a deterioration of (£5.2m) due to the funding of additional capital expenditure, particularly fire protection works
- Capital Financing – an improvement of (£1.3m) due to a better than forecast interest rate.

Covid19 costs 2019/20

- 1.6.1 The financial impact to the Emergency response to COVID19 restrictions the following items have impacted on the financial outturn, £0.018m, due to additional cleaning materials and protective equipment.

COLLECTION FUND OUTTURN – 2019/20**1. Background**

- 1.1. The Council is required to establish and maintain a Collection Fund under the Local Government Finance Acts 1988 and 1992. The Fund accounts for the collection of Council Tax and Business Rates or National Non-Domestic Rates (NNDR) and the distribution of sums received to relevant authorities. These amounts are kept separate from the main activities of the Council which are accounted for in the General Fund. Transfers from the Collection Fund to the General Fund are made at a planned level and, therefore, if the actual position is better or worse than planned leading to a greater surplus/deficit than previously forecast, this will be rolled forward to be taken into account in the next budget setting round, which will be 2021/22 in this instance.

2. Council Tax**2.1. Council Tax Summary**

The Collection Fund position for 2019/20 applicable to the Council Tax element of the Fund is summarised below:

Table 1	£m	£m
Income:		
Council Tax Income due in 2019/20	(418.458)	
Adjustment to sums due for prior years	3.322	
Contribution to Bad Debt Provision	13.281	
Total Income		(401.855)
Budgeted Precepts 2019/20		
Birmingham City Council	347.394	
New Frankley in Birmingham Parish	0.031	
Sutton Coldfield Town Council	1.851	
West Midlands Police & Crime Commissioner	38.379	
West Midlands Fire and Rescue Authority	15.246	
Total Expenditure		402.901
2019/20 In Year Deficit		1.046
2018/19 Surplus b/fwd		(4.937)
Cumulative Council Tax Surplus c/fwd		(3.891)

- 2.2. The actual in-year deficit on the Council Tax element of the Collection Fund for 2019/20 was £1.0m. The cumulative balance brought forward from 2018/19 amounted to a surplus of £4.9m, giving a closing cumulative surplus at the end of 2019/20 of £3.9m.

2.3. A £7.0m cumulative surplus was forecast when setting the 2020/21 budget. The final cumulative surplus is £3.1m lower, resulting in a surplus of £3.9m to be carried forward into future years. The make-up of this is summarised in table 2:

Table 2		£m	£m
Forecast Cumulative position for 2019-20 Budget Setting			(7.019)
Changes to Reliefs		1.810	
Decrease in Council Tax Support (CTS)		(0.658)	
Prior Year Adjustments, mainly increase in Bad Debt Provision		1.977	
			3.128
Cumulative Council Tax Surplus c/fwd			(3.891)

The increase in Bad Debt provision includes £4.4m related to Covid-19.

2.4. The Council's share of the surplus is £3.4m, which compares to a surplus of £6.1m anticipated when the Council Tax for 2020/21 was set. This surplus will be taken into account when setting the budget for 2021/22. The allocation of the total accumulated surplus, from Council Tax at 31 March 2020 is outlined in Table 3:

Table 3	Forecast	Outturn	Variance
	£m	£m	£m
Council	(6.085)	(3.377)	2.707
Police & Crime Commissioner	(0.669)	(0.364)	0.305
Fire & Rescue Authority	(0.266)	(0.150)	0.116
Total Surplus	(7.019)	(3.891)	3.128

2.5. Council Tax Arrears

A summary of the Council Tax Arrears position for the end of 2019/20 is shown in Table 4.

Table 4	Prior Years	2019/20	Total
	£m	£m	£m
Balance b/f prior years	105.162		105.162
Adjustments	(3.322)		(3.322)
Due in year		418.458	418.458
Collected	(16.460)	(384.128)	(400.587)
Amounts Written Off	(10.062)	(0.124)	(10.185)
Credits Written On	1.206	0.000	1.206
Council Tax Arrears	76.524	34.207	110.731

A summary of the Council Tax Arrears position for 2019/20 compared with 2018/19 is shown in Table 5.

Table 5	31 March 2019	31 March 2020	Change
	£m	£m	£m
Council Tax Arrears Prior Years	73.980	76.524	2.544
Council Tax Arrears In Year	31.182	34.207	3.025
Council Tax Debtors	105.162	110.731	5.569

2.6. Provision for Doubtful Debts

The provision for bad and doubtful debts stands at £35.8m as at 31 March 2020, £4.4m more than the amount set aside at the end of 2018/19. The 2019/20 year end provision is compared in Table 6 to the prior year:

Table 6	31-Mar-18	31-Mar-19	Change
	£m	£m	£m
Council Tax Arrears Debtors (Gross)	105.162	110.731	5.569
Less Provision for Bad or Doubtful Debts	(31.399)	(35.824)	(4.425)
Council Tax Debtors (Net)	73.763	74.907	1.144
Bad Debt Provision as % of Gross Debtors	29.9%	32.4%	2.5%

During the year there has been a net amount of £8.9m written off relating to Council Tax debts (£10.1m debt write offs less £1.2m of credits written on) compared with £10.5m net write-offs in 2018-19. After making a further contribution to the provision for bad and doubtful debts of £13.3m, including £4.4m extra provision related to Covid-19, in 2019/20, the overall provision has increased by £4.4m.

2.7. Collection Performance

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

The adjusted actual in year collection rate was 94.3% which includes adjustments as per QRC4 guidelines.

Table 7 shows the comparative prior year rates:

Table 7	Actual In Year Council Tax Collection Rates		
	2017/18	2018/19	2019/20
QRC4 Base	94.5%	94.4%	94.3%

There is a downwards trend that has been affected by the introduction of Universal Credit. This is indicative of the position across other Councils and reflects a national trend. However, the eventual collection rate over time is expected to reach the estimated rate of 97.1% assumed when setting the budget since the Council will continue to collect outstanding debt in future years.

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

- 3.1. In 2019/20 the Council has continued to be part of a Business Rates Pilot for the local retention of 100% Business Rates. This means that the Council retains 99% of Business Rates income with 1% being paid over to the West Midlands Fire & Rescue Authority. This has been in place since 1st April 2017 before which, Business Rates was apportioned between Central Government (50%), The City Council (49%) and the West Midlands Fire & Rescue Authority (1%).

3.2. Business Rates Summary

The Collection Fund position for 2019/20 applicable to the Business Rates element of the Fund is summarised below:

Table 8	£m	£m	£m	£m
	Outside the EZ		Enterprise Zone (EZ)	
Business Rates Income due for 2018/19	(456.700)		(3.957)	
Adjustments for Prior Years	-		-	
Contribution to Appeals Provision	9.589		1.505	
		(447.111)		(2.453)
Contribution to Bad Debt Provision (incl credits written on)	15.453		0.079	
Cost Of Collection Allowance	1.844		-	
		17.297		0.079
Total Income		(429.814)		(2.373)
Expenditure:				
Budgeted Proportionate Shares 2018/19:				
Central Government	-		-	
Birmingham City Council	437.069		-	
West Midlands Fire and Rescue Authority	4.415		-	
Enterprise Zone	-		3.933	
Total Expenditure		441.484		3.933
2018/19 In Year Deficit/(Surplus)		11.670		1.560
2017/18 Surplus b/fwd	5.294		-	
Back Dated Appeals Spread Adjustment	-		-	
		5.294		-
Cumulative Business Rates Deficit/(Surplus) c/fwd		16.964		1.560

- 3.3. Excluding the Enterprise Zone (EZ) the actual in-year deficit on the Business Rates element of the Collection Fund for 2019/20 was £11.7m. The cumulative balance brought forward from 2018/19 amounted to a deficit of £5.3m. Therefore the closing position at the end of 2019/20 is a deficit of £17.0m.

- 3.4. A £15.5m deficit was forecast when setting the 2020/21 budget and the main reasons for the increase of £1.5m in the deficit can be explained as follows:

- Appeals (£9.9m favourable movement) – There has been a reduction in the anticipated appeals losses or contributions to the appeals provision compared to that assumed when setting the 2020/21 budget. The majority of this is due to the releasing of appeals provision set aside in previous years for backdated losses that are no longer expected to materialise. This follows the receipt in February of updated information from the Valuation Office Agency (VOA).

This has been partially offset by:

- Growth Forecast (£0.6m adverse movement) – Based on the plan for a third party to identify additional business rates rateable value (RV) in the city, the 2019/20 budget allowed for growth. Whilst properties have been identified, due to delays in the VOA applying the new RVs to the rating list, there is a shortfall in 2019/20. This is expected to be realised in future years assuming liabilities are backdated once the VOA apply the new RVs to the ratings list.
- Empty Property Relief (£2.7m adverse movement) – At 2020/21 Budget setting empty property relief was expected to be lower than the budgeted position, based on prior year experience, resulting in a forecast surplus. However, through a combination of the continued use of compulsory purchase orders and increased levels of transient businesses, empty property relief has increased significantly throughout the financial year. The ongoing impact of this will be closely monitored during 2020/21.
- Small Business Rate Relief (£1.8m adverse movement) - The significant variation for Small Business Relief is offset by additional Section 31 Grants to the General Fund.
- Provision for Doubtful Debt (£6.2m adverse movement) – There has been an increase in business rates debtors falling into administration or becoming insolvent resulting in a required increase in the provision for doubtful debts over and above the level anticipated when setting the budget for 2020/21. This provision also includes an extra provision of £3.9m related to potential effects of Covid-19.

Table 9 shows the movement between the forecast and outturn surplus positions:

Table 9		£m	£m
Forecast Cumulative Deficit for 2020/21 Budget Setting			15.515
Forecast Deficit due to anticipated growth		1.147	
Actual Deficit due to anticipated growth		1.759	
			0.613
Forecast Surplus due to decrease in Empty Property reliefs		(0.470)	
Actual Deficit due to increase in Empty Property reliefs		2.276	
			2.746
Forecast Deficit due to increase in small business rate relief		3.814	
Actual Deficit due to increase in small business rate relief		5.655	
			1.840
Forecast Surplus due to decrease in provision for doubtful debts		(0.172)	
Actual Deficit due to increase in provision for doubtful debts		6.043	
			6.215
Forecast Deficit due to increase in other reliefs		4.115	
Actual Deficit due to decrease in other reliefs		4.109	
			(0.006)
Forecast Deficit due to decrease in provision for appeals		1.787	
Actual Surplus due to decrease in provision for appeals		(8.173)	
			(9.960)
Cumulative Business Rates Surplus c/fwd			16.964

3.5. The following table shows the proportionate shares of the 2019/20 Business Rates surplus compared with the forecast for the 2020/21 budget setting process:

Table 10:	Forecast	Outturn	(Improvement) / Decline
	£m	£m	£m
Central Government (nil for 2019/20)	0.000	0.000	0.000
Fire (1%)	0.155	0.170	0.014
BCC (99%)	15.360	16.794	1.435
Total	15.515	16.964	1.449

3.6. The Council's share of the deficit at outturn is £16.8m, which is £1.4m worse than the position anticipated when the budget for 2020/21 was set. This £1.4m will be taken into account when setting the budget for 2021/22.

3.7. Within the Enterprise Zone the actual in year income generated relating to Business Rates was £2.3m. This compares to £3.9m when the budget for 2019/20 was set resulting in a significant deficit of £1.6m.

3.8. Business Rates Arrears 2019/20

A summary of the Business Rates Arrears position for the end of 201/20 including the element attributable to the Enterprise Zone, is shown in Table 11:

Table 11	Prior Years	2019/20	Total
	£m	£m	£m
NNDR Arrears b/fwd prior years	95.967		95.967
Adjustments/Net of Refunds	(2.936)		(2.936)
Due in year:			
Non EZ		453.998	453.998
Enterprise Zone (EZ)		3.722	3.722
Collected	(9.248)	(424.659)	(433.907)
Amounts Written Off	(21.514)	(0.418)	(21.932)
Credits Written On	1.446	0.021	1.467
Business Rates Arrears	63.715	32.665	96.379

A summary of the Business Rates Arrears position for 2019/20 compared with 2018/19 is shown in Table 12:

Table 12	31 March 2019	31 March 2020	Change
	£m	£m	£m
Business Rates Arrears Prior Years	70.481	63.715	(6.766)
Business Rates Arrears In Year	25.486	32.665	7.179
Business Rates Debtors	95.967	96.379	0.412

3.9. Provision for Doubtful Debts

The Business Rates Bad Debt provision has moved from £52.5m to £47.6m, a decrease of £4.9m. The 2019/20 year end provision is compared in Table 13 to the previous year:

Table 13	31 March 2019	31 March 2020	Change
	£m	£m	£m
Business Rates Arrears (Gross)	95.967	96.379	0.412
Less Provision for Bad or Doubtful Debts	(52.510)	(47.578)	4.932
Business Rates Debtors (Net)	43.457	48.802	5.345
Bad Debt Provision as % of Gross Debtors	54.7%	49.4%	-5.4%

During the year there has been a net amount of £20.5m written off relating to Business Rates debts (£21.9m debt write offs less £1.4m of credits written on) compared with £11.6m net write-offs in 2018-19. After making a further contribution to the provision for bad and doubtful debts in 2019/20 of £15.6m, including amounts relating to the Enterprise Zone, the overall provision has decreased by £4.9m.

3.10. Collection Performance

For Business Rates the adjusted actual in year collection rate calculated was 96.9% (2018/19: 96.3%). This is the in-year collection rate as reported to the Ministry for Housing Communities and Local Government as required by the Final Quarterly Return for the Collection of Council Tax and Business Rates (QRC4) and is inclusive of allowable adjustments.

Set out below is the QRC4 in-year collection performance for the past three years.

Table 14	Actual In Year Business Rates Collection Rates		
	2017/18	2018/19	2019/20
QRC4 Base	97.1%	96.3%	96.9%

There has been an increase of 0.6% in the reported in year collection rate. This would have been slightly higher if not for effects of Covid-19 at the end of the year.

The service will focus more on the collection of Business rates moving forward. However, the eventual collection rate over time is expected to reach the estimated rate of 98.0% assumed when setting the budget as the Council will continue to collect outstanding debt in future years.

Birmingham City Council

Report to Cabinet

26 May 2020



Subject: BIRMINGHAM CHILDREN'S TRUST OUTTURN 2019/20 AND BUDGET 2020/21

Report of: Dr Tim O'Neill
Director for Education and Skills

Relevant Cabinet Member: Cllr Kate Booth - Children's Wellbeing
Cllr Tristan Chatfield - Finance and Resources

Relevant O & S Chair(s): Cllr Kath Scott - Education and Children's Social Care
Cllr Sir Albert Bore - Resources

Report author: Nigel Harvey-Whitten
Assistant Director Children's Services (Commissioning)
Tel: 0121 303 8327
Email: Nigel.Harvey-Whitten@birmingham.gov.uk

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007685/2020		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

- 1.1 The Birmingham Children's Trust (BCT) financial outturn for 2019/20 is a £7.0m overspend. BCT has provided a detailed explanation of why this has occurred (**Appendix A** to this report)
- 1.2 This report requests that Cabinet approves a contract variation of £7.0m for BCT for the financial year 2019/20.

- 1.3 As this contract variation was not included in the budget, this will have an adverse effect on the Council's overall financial position for 2019/20. The costs will be factored into the 2019/20 overall outturn position and from any 2019/20 carry forward requests. The approved budget for the Education and Skills Directorate for 2019/20 will be increased by £7.0m in recognition of the BCT contract variation.
- 1.4 Cabinet is therefore asked to approve that the £7.0m contract variation is factored into the 2019/20 net outturn position and any 2019/20 carry forward requests.
- 1.5 The 2019/20 outturn position will be reported at the June Cabinet meeting.

2 Recommendations

- 2.1 Cabinet is recommended to; -
 - 2.1.1 Approve a contract variation of £7.0m in respect of additional contractual expenditure necessarily incurred and identified in BCT's financial outturn position for 2019/20.
 - 2.1.2 Authorise the City Solicitor to complete the necessary legal agreements to give effect to the above decision.
 - 2.1.3 Approve that the £7.0m contract variation amount is factored into the 2019/20 net outturn position and any 2019/20 carry forward requests.
 - 2.1.4 Approve the related £7.0m increase in the approved 2019/20 budget for the Education and Skills Directorate to reflect the proposed contract variation.

3 Background

- 3.1 Birmingham City Council entered into a service delivery contract for the provision and operation of children's social care services in the city of Birmingham with BCT on 29 March 2018. The contract commenced on 1 April 2018 and is for an initial period of five years plus a further five years based upon performance.
- 3.2 The BCT annual contract value is agreed annually in advance for each financial year based on a process set out in the contract. This process uses the previous year's contract value plus adjustments for known changes in circumstances and inflation to calculate the contract value for the next year.
- 3.3 For 2019/20 the contract sum was agreed at £193.2m – see **Appendix A**.
- 3.4 For 2019/20, the average number of children in care has been 1,955 which is significantly more than envisaged at the time the contract was initiated. **Appendix A** contains the background to the contract value calculations for this period.

- 3.5 As a result, BCT has overspent by £13.2m in children's placements and also a small overspend of £0.6m on staff costs due to the need to maintain reasonable caseloads for social workers (key focus of Ofsted in their inspection). These overspends have been offset by mitigating actions undertaken by BCT during the year which saved £6.2m (see **Appendix A**)
- 3.6 This has left a net overspent position of £7.0m for 2019/20 based on the original agreed contract value representing approximately 3.5% of BCT's normal expenditure.
- 3.7 BCT has requested that the 2019/20 agreed contract sum be increased by £7.0m to recognise this overspend.
- 3.8 The contract variation of £7.0m is not included in the Council budget for 2019/20 and the costs will be factored into the overall 2019/20 outturn position and the consideration of any 2019/20 carry forward requests. The approved budget for 2019/20 for the Education and Skills directorate will increase by £7.0m to reflect this change.
- 3.9 The 2019/20 outturn position will be reported at the June Cabinet meeting.

4 Options considered and Recommended Proposal

- 4.1 The options that have been considered are:
- 4.1.1 Do nothing: This option would leave BCT with the in year overspend of £7.0m which could potentially cause BCT to no longer be a going concern. This option is not recommended.
- 4.1.2 Increase the contract value by £7.0m: This option recognises the increased number of children in care above the original forecast and the resultant overspend. This option is recommended.

5 Consultation

- 5.1 The forecast overspend was first reported to the Council in BCT's June 2019 monitoring report. BCT has consistently reported an overall overspent position during the rest of the financial year.
- 5.2 The BCT overspend was considered by the Operational Commissioning Group (OCG) on 29 April 2020.
- 5.3 The members of the OCG are:
- Andy Couldrick (BCT Chief Executive)
 - Lee Yale-Helms (BCT Director of Finance & Resources)
 - David Stringfellow (BCT Director of Commissioning & Corporate Parenting)
 - Jenny Turnross (BCT Director of Practice)
 - Seamus Gaynor (BCT Head of Executive)

- David Shreeves (Department for Education)
- Dr Tim O'Neill (BCC Director for Education and Skills)
- Nigel Harvey-Whitten (BCC Assistant Director Children's Services Commissioning)
- Paul Stevenson (BCC Finance Business Partner)

5.4 At the meeting on 29 April 2020, the OCG agreed to request a contract variation from Birmingham City Council for £7.0m, being the amount of the 2019/20 overspend.

6 Risk Management

6.1 The Council is working much more closely with BCT to improve understanding of the financial position moving forwards into 2020/21. As a result, the level of Council oversight of BCT's finances has been significantly enhanced.

6.2 Further work is underway to reset BCT's Medium Term Financial Plan to ensure it has a robust and sustainable budget underpinned by a set of solid assumptions. This revised plan will be reflected in the Council's financial planning during 2020/21.

6.3 As a result of the enhanced oversight and the reset of BCT's budget, contract variations of this nature are not expected to recur in future years.

6.4 In addition, BCT has commissioned CIPFA to undertake a review of their financial management, which will provide assurance on the quality of financial reporting and forecasting. In conjunction with close monitoring of the situation, the review will help to ensure that any potential overspend are identified early and mitigations developed to minimise their impact.

6.5 These mitigations will include the Council's approved initial £4.2m investment in a new, comprehensive Early Help service. This work is being led by Birmingham Children's Partnership and is expected to reduce the growth in demand for placements for children in care in the medium term.

7 Compliance Issues:

7.1 The activity for which this refers is statutory provision for the Council which is delegated to the Birmingham Children's Trust

7.2 Legal Implications

7.2.1 The Children Act 1989 together with associated regulations and guidance provides various powers and statutory duties in relation to the provision of services by a local authority for children in need and others.

7.2.2 S.111 Local Government Act 1972 confers power on the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

7.3 Financial Implications

- 7.3.1 The overspend of £7.0m is above previous forecasts and as such negatively effects the Council previously forecast financial position.
- 7.3.2 The contract variation of £7.0m is not included in the Council budget for 2019/20 and this cost will be factored into the overall 2019/20 outturn position and the consideration of any 2019/20 carry forward requests.
- 7.3.3 As a result of the proposed contract variation the approved budget for 2019/20 for the Education and Skills Directorate will increase by £7.0m.

7.4 Procurement Implications

- 7.4.1 None

7.5 Human Resources Implications

- 7.5.1 Not applicable

7.6 Public Sector Equality Duty

- 7.6.1 Not applicable

8 Appendices

- 8.1 Appendix A – Report of the Director of Finance & Resources for Birmingham Children's Trust

ADDITIONAL FUNDING REQUEST TO BIRMINGHAM CITY COUNCIL

1. Introduction

1.1. The draft outturn for the Trust in 2019/20 is an overspend of £7.0m (3.5%). The table below provides a summary of the variance analysis compared to 2018/19.

Spend analysis	Budget 2019/20	Outturn variance 2019/20	Outturn variance 2018/19
Pay	81.4	0.6	(1.2)
Placement costs (net)	84.5	13.2	4.4
Other costs	30.9	-	(0.9)
Total spend	198.2	13.8	2.3
Contract sum from the Council	193.2	(0.4)	-
Other income	0.1	(4.2)	(0.9)
Troubled Families reserves (applied)	3.5	(2.2)	(1.3)
Total Income	198.2	(6.8)	(2.2)
Net outturn	-	7.0	0.1

- 1.2. The key pressure in 2019/20 was placement costs which overspent by £13.2m as a direct result of the increase in children in care numbers to an average of 1,955 and a general lack of sufficiency for residential placements available to the Trust across the City and beyond.
- 1.3. The small overspend on pay of £0.6m is due to the need to maintain reasonable caseloads for social workers which is a key focus of Ofsted in their inspection of children's social care.
- 1.4. The Trust was able to manage some of the demand pressure throughout the year and children in care numbers did reduce from a peak of 2,017 in October 2019 to 1,929 by March 2020. Other mitigating actions together with planned savings delivered £4.6m in-year, and an additional £2.2m of the Troubled Families Programme funding was released to support Trust core activity.

2. Background

- 2.1. The Trust was established on 1 April 2018 and in its first year delivered a strong performance against its contractual KPIs and following a full inspection by Ofsted in November 2018 was no longer deemed "Inadequate" and was rated "Requires Improvement".

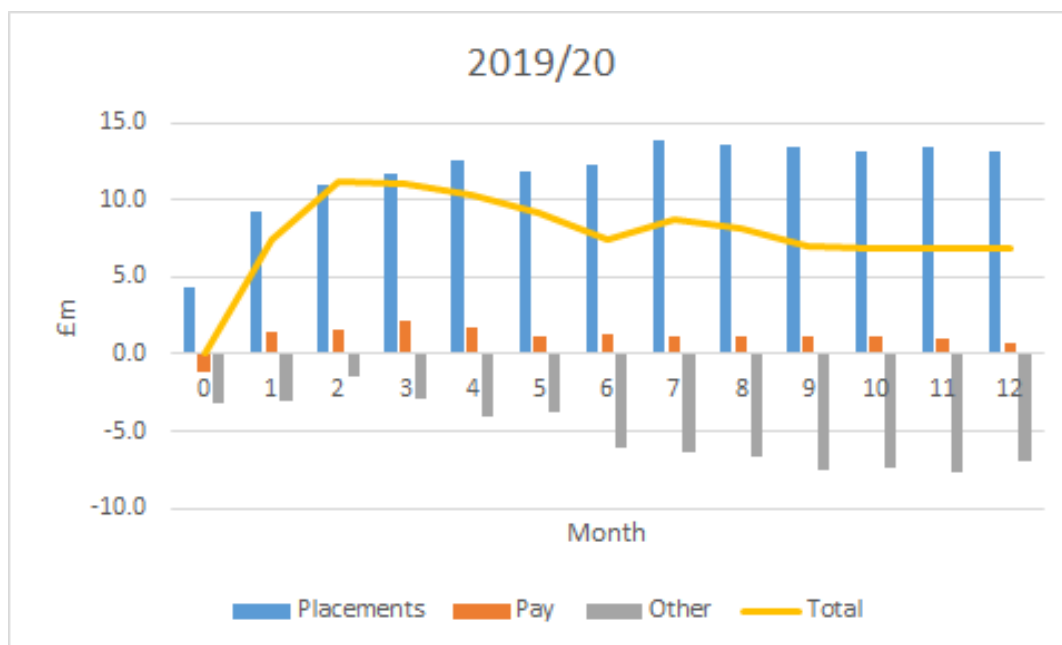


- 2.2. The Trust as a community interest company aims to “break even” and in 2018/19 the outturn was a small deficit of £59,000 which represented a real achievement in its first operational year alongside the improvements in the quality of social work practice and the emerging demand pressures in the children’s social care system.
- 2.3. The Trust’s 2019/20 budget and contract sum was agreed back in September 2018 and was based on the last year of the Council’s former “Long Term Financial Plan 2015/16 to 2019/20”. This assumed that by 2018/19 that children in care numbers would reduce to 1,630 by the end of the five-year period and a reduction of £3.4m in the contract sum. The Trust was asked to deliver a further £1m saving on the contract sum in 2019/20 and agreed to deliver this in relation to back-office savings. This was achieved during the first quarter of 2019/20.
- 2.4. In contrast to the previous budget assumptions the actual number of children in care increased over this five-year period to 1,830 at the start of the Trust in April 2018 to 1,915 by March 2019. Across the same period the budget assumptions included an expectation that the number of internal foster carers would grow by a net 284 and again in contrast actually reduced putting further pressure on sufficiency and a higher proportion of children being placed in more expensive¹ residential children’s homes.
- 2.5. The Trust’s Annual Report for 2018/19 which was presented to the Partnership Governance Group in August 2019 highlighted a number of challenges and cost pressures as follows:
- the net impact of a 6% rise in children in care numbers would represent £5.1m additional demand pressure in 2020/21; and
 - additional remand costs for young people in the criminal justice system of £1m per year.
- 2.6. The Operational Commissioning Group (OCG) which has oversight of the Council’s contract with the Trust received quarterly financial reports in line with the contract terms. At the end of Quarter One (Month 3) the Trust estimated that without any mitigation and demand management the outturn for 2019/20 was an overspend of £11.0m. Plans were put in place for a range of measures from step down of children in care to increased efforts to attract additional foster carers.
- 2.7. The Trust, at its own initiative, also introduced monthly financial reporting to the Council via OCG from Month 3 onwards in order to increase overall governance and accountability.

¹ The average cost of care in children’s services in Birmingham in 2019/20 was £843 per week compared to the average cost of an external residential placement of [£3,4230] per week.



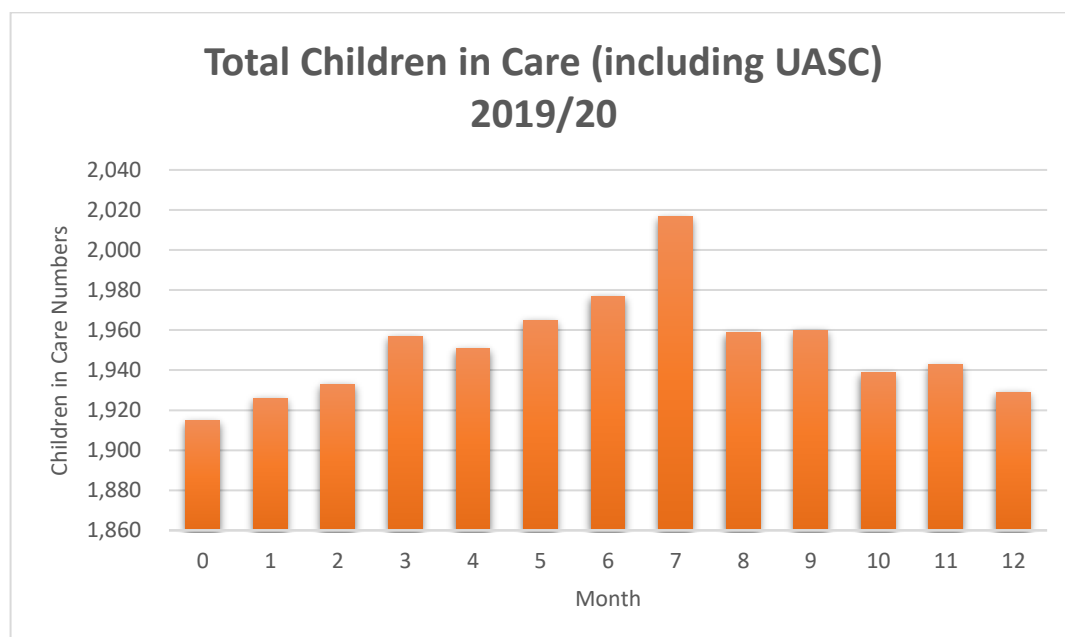
- 2.8. At the start of 2019/20 the Trust was facing an estimated £6.5m pressure just in respect of placement costs and as children in care numbers continued to increase this pressure increased further to a peak of £13.8m in October 2019 (Month 7). The graph below provides the month by month trend of the Trust's financial position across 2019/20.



- 2.9. Across the period July to September 2019 (Months 4-6) the Trust continued to drive down the estimated overspend, however the peak in the number of children in care in October 2017 (Month 7) was a real concern. The Trust reported to OCG that its ability to deliver further mitigation savings was proving extremely challenging, and although efforts would continue to manage admissions and discharges in and out of care, that the estimated overspend would likely remain in the range of £6-9m.
- 2.10. This estimate of demand pressure has proven reliable and since the Quarter Three (Month 9) financial outturn the forecast has remained at an overspend of £6.9-7.0m in 2019/20 with external placement costs estimated to be in the range of £13.2-13.5m overspend.
- 2.11. The draft outturn of £7m overspend represents 3.5% compared to a rise in demand in children in care numbers between April 2018 and March 2020 of 6.5%. The national picture is that average spending on children's social care is increasing at 8-9% so again the Trust compares very favourably.

3. Demand

3.1. The profile of demand represented in the number of children in care across 2019/20 is provided in the graph below and highlights the peak in October 2019 and the subsequent management of admission versus discharges.



3.2. The trend in children in care numbers is that Birmingham still compares favourably with both its statistical neighbours and the West Midlands. The current rate of children in care per 10k is 67.1 compared to 80.2 for statistical neighbours as shown in the table below.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Birmingham	63.0	70.0	64.0	64.0	66.9	67.1
Statistical neighbours	80.0	79.0	74.7	73.9	77.0	80.2
West Midlands	73.0	74.0	73.0	75.0	78.0	82.0
England	60.0	60.0	60.0	62.0	64.0	65.0

3.3. It is anticipated that the children in care per 10k rate in Birmingham will continue to increase but remain below both the West Midlands and statistical neighbours.

3.4. Birmingham's population is still growing and the latest forecasts are that the number of children under the age of two will continue to rise steadily. The socio-economic context of the City is such that a proportion of these children are expected to enter care. Work undertaken in 2019 also highlighted a number of older teenagers who had entered the care system, 50% of whom



who either classified as children in need or on a child protection plan and subsequently had entered into care when in fact they perhaps should have been brought into care at a younger age. This legacy of hidden demand is still impacting on the Trust.

- 3.5. Current estimates are that the child population aged 0-18 will continue to grow in Birmingham at an average of 0.7% per annum for the next five years. Based on the conversion rate of assessments into admissions the children in care numbers will also rise and could reach 2,200 in the next two to three years, and without an effective Early Help offer across the City could continue to grow even further.

4. Contract measures

- 4.1. The current contract with the Trust unlike other trusts does not provide for an increase in the contract sum if children in care numbers are to increase or for a risk sharing arrangement. A decision was taken by the Council not to provide the Trust with any financial reserves but instead to provide a loan facility of £10m. The Trust had to activate £4m of the loan facility at the start of the contract to support cashflow arrangements and the balance of £6m was earmarked for invest to save and innovation projects and clearly has to be repaid.
- 4.2. Given the situation the Trust is facing and the continued demand pressures from placement costs it has little alternative than to make an additional funding request to the Council in order to balance its finances in 2019/20, avoid any liquidity issues and not damage the Trust's ability to continue with its development plan for improvement and achieving a "Good" rating in the medium term from Ofsted.
- 4.3. Under the terms of Schedule 5 (Financial Mechanism) of the service delivery contract the Trust is able to bring forward requests for additional funding to the Council. It was agreed at the Trust's Finance & Resources Committee and the Operational Commissioning Group on 29 April 2020 that the Trust should make the request to the Council for an additional £7.0m for 2019/20. If approved by Cabinet this would then take the form of a one-off contract variation and payment to the Trust.

5. Medium Term Financial Plan

- 5.1. The aim of the Trust was to agree a three year Medium Term Financial Plan (MTFP) with the Council for the period 2020/21 to 2022/23 which would take the Trust up to Year 5, at which point a service review is expected under the terms of the contract. This was prevented by the one year Comprehensive Review settlement for 2020/21.
- 5.2. The context of the increase in children in care numbers and a lack of sufficiency throughout 2019 formed the background to the annual contract

negotiations between the Council and the Trust last summer. A copy of the MTFP and budget discussion paper is provided as an annex to this report.

5.3. The outcome of the budget setting and consultation processes resulted in the Trust securing an additional £6.1m for demand pressures in 2020/21.

5.4. The £6.1m uplift was based on demand pressure arising from the increased cost of external placements and remand costs of £13.6m and staffing of £0.7m, less £8.2m of mitigating actions as follows:

- demand management including diversions from care (£4.3m);
- supply side mechanisms to increase sufficiency of placements including fostering and adoption (£2.3m);
- efficiency savings of £0.6m; and
- increase in tripartite contributions to cost of care (£1.0m).

5.5. The annual Contract Sum for 2020/21 and estimates for the MTFP period were therefore set as follows:

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Core Contract Sum*	192.3	192.8	193.3	193.8	194.3
Government grants paid via the Council	8.8	8.8	8.8	8.8	8.8
Total Contract Sum	201.1	201.6	202.1	202.6	203.1
Other grants and contributions	4.0	4.0	4.0	4.0	4.0
Total Budget	205.1	205.6	206.1	206.6	207.1
* The Council has assumed an increase of £0.5m per annum each year from 2021/22 onwards for demographic changes. The Trust view is that is insufficient and will need to be reviewed as part of the reforecast of children in care numbers.					

5.6. In addition to the above the Trust had submitted two modernisation bids to the Council as follows:

- supported accommodation.
- adult specialists working with children's teams.



- 5.7. A summary of the financial impact of these over the MTFP period is provided below.

Modernisation bids:		2020/21	2021/22	2022/23	2023/24	2024/25
		£m	£m	£m	£m	£m
Adult specialisits working in children's teams						
	Investment - staffing and accommodation	2.5	2.5	2.5	2.5	2.5
	Benefits - reduced demand	0.0	0.0	1.3	2.7	2.7
	Net Investment/Benefit(-)	2.5	2.5	1.2	-0.2	-0.2
Supported accommodation						
	Investment - staffing and property	3.2	3.2	3.2	3.2	3.2
	Benefits - placements costs			4.0	4.0	4.0
	Net Investment/Benefit(-)	3.2	3.2	-0.8	-0.8	-0.8
Total Modernisation Funding		5.7	5.7	0.4	-1.0	-1.0
Total Funding (excluding Modernisation)		205.1	205.6	206.1	206.6	207.1
Total Funding (including Modernisation)		210.8	211.3	206.5	205.6	206.1

- 5.8. The proposed investment in Early Help of £15m by the Council is expected to deliver benefits across the whole system across the 5 year period and beyond. It is important the Trust is involved in the implementation and delivery of this through the Birmingham Children's Partnership in order to achieve these benefits.

5.9. Current position

- 5.10. Prior to the current demand pressures, the Trust took a decision in 2019 to invite CIPFA to undertake a financial management review of the Trust to provide assurance to the Board and a platform for improvement. This mirrors the recent exercise undertaken in the Council.
- 5.11. The Trust has also engaged CIPFA's consultancy arm to undertake an assurance review of the Trust's approach to demand forecasting, budget planning and an initial cost of care analysis which will lead into an analysis around how the market is managed and developed.
- 5.12. It is expected that the two reports will be finalised by September 2020 and will be shared with the Council as commissioner to provide independent assurance of the actions of the Trust, which could then lead to further work being agreed jointly between the Council and the Trust. The Trust wants to be in a position where a shared view exists, between Trust and the Council as commissioner, around demand, demand management, cost improvement and the required budget envelope from which to deliver effective and value-for-money services to the city's most vulnerable children and families.

- 5.13. The impact of Covid-19 has been significant on the Trust with estimated costs of £3-3.5m for the initial 12 week period of lockdown, the largest element of which relates to temporary accommodation as a contingency for placing vulnerable children at risk during the crisis. As the period of lockdown is extended the Trust could be faced an increase in costs of £1m per month.
- 5.14. Whilst the demand at the front door in terms of the numbers of referrals and assessments has slowed significantly as a result of Covid-19 it is anticipated that demand will bounce back (at the end of April the increase has started already) and that further latent demand is likely to be identified. Nationally, children's social care services anticipate at least a significant spike in contact and referral once schools and universal services return to fuller operation. A further impact of Covid-19 is that the Trust has been unable to progress its plans to deliver the expected in-year mitigation in 2020/21 and will need to review both the phasing and deliverability of these earlier proposals in a post Covid-19 environment.

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Financial Position including Emerging Financial Risks for the COVID-19 Emergency Plan and Major Incident

29 May 2020

1. Overview Briefing

1. Note the financial position as at 29 May 2020 and is based on decisions which are known by the Finance teams. Decision logs are being reviewed to ensure financial decisions are being captured.
2. Note that in the main, the financial implications for 2020/21 cover the 6 months from April to September 2020 although some estimates have been made for costs later in the year.
3. Note that the MHCLG Return was submitted on Friday 15 May based on the Strategic Cell Report for week commencing 11 May.
4. Note that the Government has announced an additional £600m funding for infection control in care homes. Birmingham will receive £9.8m. Work is underway to establish to what extent committed costs can be funded from this grant.
5. Note the Government has allocated additional funding for BIDs and a 5% increase in funding for further discretionary small business grants expected to be around £11.319m. Details are yet to be announced.
6. Note that the Government has announced additional funding of £50m nationally to support the safe reopening of high streets and other commercial areas, to be funded from the European Regional Development Fund. Birmingham will receive £1.017m.
7. Government has also announced £300m additional funding for local authorities to support the new test and trace service. Allocation to individual authorities have not yet been announced although the new system was launched on 28 May 2020.
8. Note the emerging risks which are known to us.
9. Note the position on Business Rates Grant and Hardship Fund.
10. Note the cashflow and borrowing issues.

1. Financial Position as at 29 May 2020 against the Unringfenced Grant

1. This financial report is as at 29 May 2020.
2. Government has announced that the Council will receive £70.3m of unringfenced Covid-19 related funding and a number of ringfenced funding grants as shown in Table 1:

Table 1: Grant Funding Announced			
Grant	National Amount	BCC Amount	BCC %
	£m	£m	
Tranche 1	1,600	38.744	2.4%
Tranche 2	1,594	31.566	2.0%
Total Unringfenced	3,194	70.310	2.2%
Infection Control	600	9.761	1.5%
Reopening High Streets Safely Fund	50	1.017	2.1%
Total	3,844	81.088	2.1%

3. The Government did not announce the basis of allocation of the first tranche of funding, but it appears to be based on need assessment formulae. The second tranche of funding has been allocated on a per capita basis. It is disappointing that the Council has received a lower level of funding in the second tranche given the forecast costs it has raised with the Government.

4. The Infection Control Grant was allocated based on number of care home beds as a proportion of the number of care home beds nationally plus an area cost adjustment.
5. The Reopening High Streets Safely Fund has been allocated to local authorities on the basis of population. The grant can be used to fund costs associated with temporary public realm changes, business awareness campaigns that focus on small and medium sized enterprises, communication with the public and development of an action plan, all to be incurred between 1 June 2020 to 31 March 2021.
6. The total forecast additional spend/loss of income to the Council on COVID-19 related general fund activities for **2020/21 and 2021/22 is £273.429m**. This is inclusive of additional expenditure, loss of income and likely risk materialising. The 2021/22 position will be better understood as we start to plan recovery and the “new norm”. **In addition the Council has identified £5.580m of additional HRA costs.** Table 2 provides an overview of pressures the Council is facing between years.

Table 2: Forecast Pressures on Expenditure and Income			
Financial Year	Expenditure	Income	Total
	£m	£m	£m
2020/21	116.384	69.720	186.104
2021/22	13.078	74.247	87.325
Gross GF Pressures	129.462	143.967	273.429
Grant Received	N/A	N/A	(70.310)
Net GF Pressures	N/A	N/A	203.119
HRA Costs	5.580	0.000	5.580

7. The two-year costs identified to date have **exceeded the allocation of £70.310m granted to Birmingham by £203.119m (including identified risks) for General Fund and £5.580m HRA. The total cost is £208.699m.** A full breakdown of estimates is shown in Appendix 1.
8. A review of supplier relief is being undertaken. When the financial implications are known they will be included in the financial impact assessment.
9. The current assumption for the financial position for 2020/21 is based on a 6 month premise for the duration of the COVID major incidents along with some residual costs.
10. It should be noted that additional costs are beginning to be identified for 2022/23 and beyond due to slippage on planned savings proposals, including lower assumptions around ability to grow income.
11. Since the 22 May Report, estimated General Fund costs have **increased by £1.010m** as shown in Table 3 below.

Table 3: Change in General Fund Forecast Pressures Since 15 May			
Date of Estimate	2020/21	2021/22	Total
	£m	£m	£m
22 May 2020	185.179	87.240	272.419
29 May 2020	186.104	87.325	273.429
Change	0.925	0.085	1.010

12. The majority of the movement is around:
 - a) Recognition of supplier relief and the possible payments that will be required for Leisure and Community Centre service providers
 - b) Reductions in previous estimates about income loss from outdoor advertising
 - c) Increased costs in regulation and enforcement in respect of the reopening of the markets
 - d) Further review of income losses within the Neighbourhood Directorate

Further details about movements are detailed in Appendix 1.

13. The table provided in **Appendix 1** details this financial position categorised by area of expenditure and loss of income. The categories of expenditure are in line with that required for MHCLG reporting

14. Basis and Assumptions:

- a) Forecasts are based on decisions and emerging actions where Finance are sighted on these.
- b) Where estimated figures have been used these will continue to be reviewed and updated.
- c) Where costs were given as a range, the higher value has been used.
- d) We have assumed a duration of April through September where services have been closed as a result of social isolating policy from national government, such as leisure centres.

15. A return on the latest estimates of costs and losses of income due to Covid 19 was submitted to MHCLG on 15 May 2020, which was based on the Strategic Cell report for week commencing 11 May 2020. MHCLG asked for all authorities to submit a return that assumed the duration of the crisis was 4 months, whereas the reporting to Strategic Cell assumes a six month crisis. On the basis of a 4 month crisis the Council estimated total costs in 2020/21 of £221.134m general fund and £5.580m HRA. In addition the Council reported losses of business rates income due to reliefs announced by the Government of £165.460m (fully funded by Government Grant) resulting in a total impact reported of £392.174m. This is summarised in Table 4.

Table 4: MHCLG May Return Summary – Assumes a 4 month crisis	
2020/21 Impact	£m
Additional Costs	94.484
Income Losses	126.650
Total General Fund Impact	221.134
Business Rates Reliefs Funded by Government	165.460
HRA Impact	5.580
Total Impact Submitted to MHCLG	392.174

2. Emerging Financial Risks

1. The financial risks are provided in Appendix 2. The table shows a **most likely impact of £100.197m**. Financial risks have reduced by £3.302m since 22 May 2020 as a result of re-assessment.
2. It must be noted that this is an **emerging and evolving** set of financial risks and will continue to be monitored and updated as there is greater visibility by Finance of financial decisions being made. We are also comparing with other Local Authorities to ensure consistency of financial reporting.
3. We have not yet included impacts on rental income and sundry bad debt.
4. **Basis and Assumptions:**
 - a) Whilst all known costs and losses of income have been identified in the financial position above, the Council may not be able to reclaim all from Government. This includes the financial impact of delays in implementing transformation and savings activities.
 - b) The financial risks are based on estimated costs and impacts.
 - c) The RAG rating is based on the perceived likelihood of MHCLG funding these if they occur.

Business Rates Grant and Hardship Fund

Business Rates

1. **The Council has received £231.576m Business Rates Grant and £17.383m for Hardship Fund for Council Tax.**
2. This has significantly shielded our early cashflow position.
3. As at 1 June the Council estimated that it will have made Business Rates grant payments to 13,847 businesses, totalling £168.1m, an increase of £9.1m since the last reporting period. This means that around 73% of the grant has been spent. This leaves a further £63.5m of grant available for distribution. **See Appendix 3 for further details.**
4. The Council is now anticipating receiving a discretionary grant fund of around £11.319m to provide further grants to small businesses. A formal announcement of allocations is yet to be made.
5. The Government anticipate that this will be used to support small businesses with less than 50 employees that do not have their own business rates assessment, B&Bs that pay Council Tax rather than business rates and some charity properties.
6. The Council will be able to determine how to allocate the grants using its local knowledge within the Government's criteria.
7. The Government has announced funding will be provided to support BIDs. Specific allocations have not yet been announced.

Council Tax Support Hardship

8. Work has begun on applying discounts to the Council Tax bills of those receiving Council Tax Support, with about 2000 left to be processed. These will be paid for from the £17.383m Hardship Grant for Council Tax. The latest estimate is that **45,898** discounts need to be applied to those in receipt of Council Tax Support, totalling **£6.5m**. Subsequent reports will include figures for grant utilisation as the Council Tax Support caseload changes.

Cashflow and Borrowing issues

1. Local authorities are facing extreme uncertainty about the timing and scale of the costs they will need to incur, and about the timing of Government funding to support these. This creates cashflow deficits which, given the scale of the measures involved, could require millions of borrowing or financial commitments before the receipt of funding.
2. The main source of short term borrowing for local authorities is other local authorities, some of whom have surplus cash available to lend. However, in the current circumstances, many authorities are keeping their cash close and are not lending in the normal way. As a result, there is currently less short term borrowing available to local authorities, including Birmingham.
3. The Government has responded very helpfully in providing major COVID funding quickly, including the general support grant to local authorities and the funding for business support. This has eased the immediate cashflow pressure the City Council was facing. **Continuation of a payment in advance system by the Government** will be a major help in the coming months. **The Government has confirmed it will pay grants to fund the business rates discounts awarded to retail and nursery businesses across the city starting with a double payment in mid-May.** It is impossible to be clear about future cashflows in current circumstances.
4. A very helpful backstop would be if the Government could provide a **short-term borrowing facility for local authorities**. This could readily be done using the arrangements in place in the DMADF (Debt Management Account Deposit Facility) which since the 2008 banking crisis has been available to take short term deposits of temporarily surplus cash from local authorities. It should be straightforward to extend this into a short-term borrowing facility for local authorities. CIPFA's Treasury Management Panel requested a DMADF borrowing facility in a recent meeting with HM Treasury.
5. The existing PWLB borrowing arrangements are not suitable for this purpose, as PWLB loans are for a minimum of 1 year and the rates are high. This means that if an authority needs to borrow for only say 2 weeks to cover a temporary cash outflow, it may have to borrow for 12 months at high interest rates, which could cost £millions over a whole year. This would be a substantial profit to central government at the expense of local authorities.
6. It is still too early to be clear about the cost of borrowing to meet COVID-19 related cashflow deficits for the period before they are permanently funded. Using currently known costs and funding, an interest cost of £2.7m over the next two years has been calculated at PWLB interest rates.

Grant Funding Risks

1. It is becoming clear that the Government may not fund everything that is currently being spent on Covid 19 or the losses of income being incurred.

Appendix 1 - Financial Position - Expenditure

Service area	2020/21						2021/22			Total Across both years £m	Breakdown of figure
	Apr - Jun	Jul - Sept	Oct - Dec	Jan - Mar	Risks	Total	Cost	Risk	Total		
	£m	£m	£m	£m	£m	£m	£m	£m	£m		
Adult Social Care – additional demand	4.000	4.000	0.000	2.700	11.211	21.911	3.600	0.000	3.600	25.511	Adults social care direct payments, provision of community equipment, increased supply of beds across the city, increased domiciliary care across the city, risks associated with non-delivery of the Adults savings programme and commercialisation target, and risk that demand levels increase above operational planning levels
Adult Social Care – supporting the market	6.000	6.000	0.000	0.000	0.000	12.000	0.000	0.000	0.000	12.000	Increased support to the voluntary sector to support preventative measures , care homes in lock down that can't take additional people - puts pressure on providers
Adult Social Care – workforce pressures	4.000	4.000	0.000	0.000	2.000	10.000	0.000	0.000	0.000	10.000	Agency cover social work and risk of increased costs due to resources redirected towards critical services and agency staff backfill required
Adult Social Care - PPE	2.000	2.000	0.000	0.000	0.000	4.000	0.000	0.000	0.000	4.000	PPE
Adult Social Care - other	1.935	1.707	0.000	0.000	0.180	3.822	0.000	0.000	0.000	3.822	Provision of food supplies, provision of accommodation for those with no recourse to public funds, shared care and risk that the end of "lock down" for the more vulnerable groups may take far longer than the general population requiring ongoing care packages, food packages
Adult Social Care total	17.935	17.707	0.000	2.700	13.391	51.733	3.600	0.000	3.600	55.333	
Children's Social Care –workforce pressures	0.056	0.056	0.000	0.000	0.000	0.112	0.000	0.000	0.000	0.112	Extension of the Early Life Support
Children's Social Care –residential care	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Children's Social Care –care leavers	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Children's Social Care - other	6.456	3.500	0.000	0.000	1.350	11.306	0.000	0.000	0.000	11.306	Increased costs to Birmingham Children's trust for placements, Birmingham Childrens Partnership Proposals re Mental Health Support to vulnerable young people, BCP Proposal to provide grants, food and other hardship support through BVSC
Children's Social Care - total	6.512	3.556	0.000	0.000	1.350	11.418	0.000	0.000	0.000	11.418	
Education - SEND	0.076	0.069	0.000	0.000	0.000	0.145	0.000	0.000	0.000	0.145	Backfill costs within SENDIASS
Education - home to school transport	0.002	0.000	0.000	0.000	0.000	0.002	0.000	0.000	0.000	0.002	
Education - other	5.370	4.100	0.000	0.000	0.000	9.470	0.000	0.000	0.000	9.470	Payments to early years providers to ensure financial sustainability, school meal vouchers, additional costs of security and boarding at delayed construction sites for school capital projects.
Education - sub total	5.448	4.169	0.000	0.000	0.000	9.617	0.000	0.000	0.000	9.617	
Highways and Transport	0.062	0.000	0.000	0.000	0.550	0.612	0.000	0.000	0.000	0.612	Risk associated with Transport and Highways staff not being able to be recharged to capital projects during period of pandemic, temporary Highways measures in Kings Heath and Erdington
Public Health	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	Risk that there will need to be some reprioritisation of Public Health grant resources
Housing - homelessness services	0.966	1.391	0.696	0.348	0.622	4.023	0.000	0.000	0.000	4.023	Mainly Domestic Abuse household / Homelessness Demand increase. Also costs associated with reduced temporary accommodation capacity relating to the need to apply social distancing .
Housing - rough sleeping - accommodating and supporting those brought into alternative accommodation	0.750	0.750	0.750	0.750	0.000	3.000	0.000	0.000	0.000	3.000	Temporary accommodation for rough sleepers
Housing - other excluding HRA	0.300	0.200	0.000	0.000	1.561	2.061	0.000	0.000	0.000	2.061	Additional staffing costs (agency) for Housing officers
Housing total excluding HRA	2.016	2.341	1.446	1.098	2.183	9.084	0.000	0.000	0.000	9.084	

Cultural & related - Sports, leisure and community facilities	2.027	2.141	1.486	1.315	0.000	6.969	0.000	0.000	0.000	6.969	Financial challenge for leisure centres due to lockdown and potential claims from external leisure contractors for lost income
Cultural & related - other	0.000	0.000	0.000	0.000	1.200	1.200	0.000	0.000	0.000	1.200	Pressures on Birmingham Museum Trust
Cultural & related total	2.027	2.141	1.486	1.315	1.200	8.169	0.000	0.000	0.000	8.169	
Environment & regulatory - cremation, cemetery and mortuary services/Excess deaths	6.158	6.158	0.012	0.012	0.500	12.840	0.000	0.000	0.000	12.840	Temporary mortuary facilities, Support for Funeral Directors for Storage Facilities BCC, security at temporary body storage facilities, additional hours for staff at the Register Office
Environment & regulatory - waste management	0.737	0.737	0.737	0.737	0.840	3.788	0.000	0.000	0.000	3.788	Additional agency costs due to delays in Waste management restructure
Environment & regulatory - other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Environment & regulatory - total	6.895	6.895	0.749	0.749	1.340	16.628	0.000	0.000	0.000	16.628	
Planning and development	0.016	0.000	0.000	0.000	0.000	0.016	0.000	0.000	0.000	0.016	Purchase of supplies plus redirected staff
Police, fire and rescue services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Finance & corporate - ICT & remote working	0.886	0.000	0.000	0.000	0.000	0.886	0.000	7.200	7.200	8.086	Purchase of IT equipment and licences to support agile working and risks associated with slippage of ERP replacement in 2021/22
Finance & corporate - Revenue & benefits expansion	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Finance & corporate - other	0.415	0.608	0.282	0.441	2.450	4.196	2.117	0.000	2.117	6.313	Finance borrowing costs, local welfare provision and business support for Dolman Street, hand sanitiser units for council buildings
Finance & corporate - total	1.301	0.608	0.282	0.441	2.450	5.082	2.117	7.200	9.317	14.399	
Other - Shielding	0.050	0.008	0.000	0.000	0.000	0.058	0.000	0.000	0.000	0.058	Resources for call handling for shielded citizens
Other - PPE (non-Adult Social Care and HRA)	0.416	0.369	0.369	0.461	0.000	1.617	0.000	0.000	0.000	1.617	PPE for Homeless centres and Street scene Operations
Other - costs associated with unachieved savings/delayed projects	0.424	0.424	0.397	0.397	0.708	2.352	0.161	0.000	0.161	2.513	Potential undeliverable savings within Neighbourhood services
Other - excluding service areas listed above	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Other total (includes Shielding)	0.891	0.802	0.767	0.859	0.708	4.026	0.161	0.000	0.161	4.187	
TOTAL SPENDING PRESSURE (General Fund)	43.103	38.219	4.729	7.161	23.172	116.384	5.878	7.200	13.078	129.462	
Housing Revenue Account (HRA) - workforce pressures	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
HRA - supplies and materials including PPE	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
HRA other	0.000	0.000	0.000	0.000	5.580	5.580	0.000	0.000	0.000	5.580	
HRA total spending pressure	0.000	0.000	0.000	0.000	5.580	5.580	0.000	0.000	0.000	5.580	Risk that HRA budgets will not absorb all COVID related pressures

There is also

£1.131m of additional costs in 2019/20

Income

Service area	2020/21						2021/22			Total Across both years	Breakdown of figure
	Apr - Jun	Jul - Sept	Oct - Dec	Jan - Mar	Risks	Total	Cost	Risk	Total		
	£m	£m	£m	£m	£m	£m	£m	£m	£m		
Business Rates cash receipt losses	0.000	0.000	0.000	0.000	0.000	0.000	0.000	44.120	44.120	44.120	Assumed 10% reduction in budgeted business rates income . These potential impacts will impact on the budget process for 2021/22.
Council Tax receipt losses due to actual and forecasted increase in Local Council Tax Support (LCTS) caseload due to Covid-19	0.000	0.000	0.000	0.000	0.000	0.000	0.000	8.811	8.811	8.811	Assume 10% increase in households requiring Council Tax support
Council Tax receipt losses due to actual and forecasted failure by the council taxpayer to make payment due to Covid-19	0.000	0.000	0.000	0.000	0.000	0.000	0.000	7.350	7.350	7.350	2% Increase in the average non-collection rate (from 2.9% to 4.9%)
Council Tax receipt losses due to any other reason	0.000	0.000	0.000	0.000	0.000	0.000	4.250	0.000	4.250	4.250	Slippage in implementing a new CTS scheme and Council tax hardship
Council Tax receipt losses total	0.000	0.000	0.000	0.000	0.000	0.000	4.250	16.161	20.411	20.411	
Highways and Transport Sales Fees & Charges (SFC) losses	7.108	7.108	3.554	1.777	0.000	19.547	0.000	0.000	0.000	19.547	Loss of income associated with car parking and enforcement
Cultural & Related SFC losses	0.898	1.643	0.487	0.401	0.000	3.429	0.000	0.000	0.000	3.429	Loss of income in relation to Leisure and community centres, Museums Trust, and Film Birmingham
Planning & Development SFC losses	0.271	0.321	0.322	0.322	0.000	1.235	0.000	0.000	0.000	1.235	Loss of income in relation to local land charges, pre-application and planning fees
Other SFC income losses	8.224	7.422	2.554	3.204	0.000	21.404	0.000	0.000	0.000	21.404	Loss of income across a range of services for eg. education services, bereavement, advertising income, trade and garden wastes, education safeguarding etc. This assumes a reduction in income for a 6 month period.
Sales, fees and charges	16.501	16.494	6.917	5.704	0.000	45.615	0.000	0.000	0.000	45.615	
Commercial Income	5.987	5.341	1.395	1.341	0.000	14.064	2.246	0.000	2.246	16.310	Risks associated with the non- delivery of commercial income targets and savings
Other	0.320	5.220	0.269	0.269	3.964	10.042	7.470	0.000	7.470	17.512	Loss of dividends and related income/ profit share, non-repayment of loans, potential loss of funding from Police and Crime Commissioner for Violence Interrupters
TOTAL INCOME LOSS (General Fund)	22.807	27.055	8.581	7.314	3.964	69.720	13.966	60.281	74.247	143.968	

There is also £1.370m loss of income in 2019/20

Analysis of Movements since 22/05/2020

	19/20	20/21	21/22
	£m	£m	£m
<u>New costs</u>			
EC042 TAWS Grant - additional activity in Food Provision, unable to start on savings initiative	0.000	0.054	
EC045 IG Covid-19 costs - equipment & supplies purchases	0.000	0.009	
EC044 IG Covid-19 costs - redirected staff	0.000	0.007	
BC020 Hitachi Vulnerable People Solution		0.008	
BC019 Supply of IT kit to support safe homeworking	0.000	0.003	
	0.000	0.081	0.000
<u>Revision of previous estimates</u>			
EC037 Estimated Claims from External contractors		4.683	
EC002 Loss of commercial advertising income from outdoor digital advertising, lamp posts, roundabouts etc		(2.358)	
BC016 Delay in Street Scene re-structure will mean increased costs for Agency	0.000	0.748	
HW048 PPE - Requirements for Street Scene Operations (incl Waste Collection) as a result of COVID		(0.742)	
EC010 Loss of income due to closure of services in Waste management Services (Bulky Waste, Trade Waste)		(0.071)	
EC035 Parks Loss of income from Bowls/Cricket/Car Parks/Shop Sales/catering income		0.547	
EC011 Loss of income due to closure of Leisure Centres and Community services		0.540	
EC040 Loss of income Community Centres and delay in transfer of Oddingley		0.327	
EC029 Markets (revised more detailed analysis)		0.163	
EC041 Service Delivery Neighbourhood Advice		0.120	
HW016 Provision of food supplies for vulnerable - Super Shielded		0.180	
TC002 Finance borrowing costs		0.009	0.085
	0.000	4.147	0.085
<u>Review of risks</u>			
Financial Sustainability for Leisure Service Providers - Financial challenge due to lockdown - risk removed		(1.702)	
Due to current COVID activities - normal services due to be delivered against Public Health Funding is at risk - Neighbourhoods - Leisure and Community services - risk removed		(0.800)	
Financial Claim made from Birmingham Museum Trust - Financial challenge due to lockdown - risk reduced		(0.800)	
	0.000	(3.302)	0.000
Total change from 26/05/2020 reporting	0.000	0.926	0.085

Appendix 2

Financial Risks

Cell	Risk	Assumptions	Mitigations	Likelihood %	Medium Term Potential Impact	Weighted Medium Term Potential Impact	RAG Rating	MHCLG Category
					£m	£m		
					361.331	100.197		
Tactical	Any Belwin funding over and above £38.7m may not be successful	Current funding gap above grant received with an assumption that 20% may not be eligible spend for Belwin criteria						
Tactical	Cash is not readily available to support decision making or may not be able to obtain short term affordable borrowing	Assumed additional cost of borrowing requirement of £500k (£10m at worse case 5%) but likelihood we would have to do that of 30%		30%	0.500	0.150	A	Finance & corporate - other
Tactical	The provision of support to businesses, the voluntary sector and individuals gives rise to unforeseen tax implications, either through the Council directly or its subsidiaries in the delivery of services for the Council.	The Council may overclaim VAT on expenditure, undercharge VAT on income or risk its 5% partial exemption limit c£8m – assumed 5% likelihood/impact	The Council contracts with external advisors to provide support on tax issues to ensure compliance	5%	8.000	0.400	R	Finance & corporate - other
Tactical	Loss of Business Rates					44.120	R	Business Rates cash receipt losses
Tactical Business Continuity	Loss of Council Tax Due to Emergency COVID19 - delay in introduction of Staffing Re-design and deliver savings in Neighbourhoods	Re-design proposals for Street Scene c£1.0m and Housing Options c£2.0m - deliver of savings. Assumed 5% impact on savings due to slippage		25%	4.244	1.061	R	Council Tax Housing - other excluding HRA
Business Continuity	A range of measures being considered for agency staff including that Local Authority may be required to pay agency workers upto 80% salary capped at £2.5k per month along the same principles as Furlough			Not yet quantified				
Business & Economic Recovery	Additional costs, including borrowing, incurred for re-commenced capital activity if schemes such as construction and IT are stopped or incur delay	Assumed £1m additional spending with a 50% likelihood.		50%	1.000	0.500	R	Finance & corporate - other
Business & Economic Recovery	Contributions from business can no longer be provided as a result of economic shock e.g. BID levy collection	78% of the BID cashflow is paid out by BCC before it is recovered from businesses as accountable body - there is a high risk that this income due will not be recovered	None identified	78%	3.800	2.964	A	Other income losses
Business & Economic Recovery	Borrowing requirement in place of £93.5m capital receipts (virtually all disposals) over the next 12 months as a result of economic downturn causing slippage, reduced sales volumes and prices	Assumed 6 month slippage: Borrowing half this for a year would cost us nearly £1m a year at 1.84%. Reduced receipt assumed at 20% would cost us £0.4m	Pursue disposals and negotiate best price possible or delay sales until market stabilises. Reduce capital spend to reduce funding requirements but this will have an impact on service delivery and costs	100%	1.400	1.400	R	Finance & corporate - other

Business & Economic Recovery	Inclusive Growth: Transportation & Major Projects: Where capital programmes are ceased this will result in employee related costs not being capitalised and will result in the costs needing to be funded from the revenue position	Transportation Projects income budget of £4.569m. Failure to generate income would result in a pressure of approximately £0.4m per month, therefore assumes £1.1m based on 1st 1/4 (3 months). Work ongoing to establish accurate level of loss as some project officers may still be in a position to carry out works and recharge some time.		50%	1.100	0.550	R	Highways and Transport
Business & Economic Recovery	Hydrogen Bus project on hold as a result of COVID-19. The successful bus operator will not commit to the expenditure in the current climate. Whilst the intent from all parties is that this will be re-considered later in the year there is a risk that the impact of COVID-19 on the business model would result in project cessation.	To date only £1m of grant has been expended via a grant to a third party hydrogen production company. There is a risk that this may be clawed back by European funders if the project does not progress. It should be noted that there is a COGA in place to mitigate the risk on the Council but this does still remain a risk should the company not be in a position to repay.		100%	1.000	1.000	R	Other income losses
Business & Economic Recovery	Private Rented Sector - Payment of Licences by landlords will be impacted despite mortgage holidays	Assumption on % of mandatory licences	availability of staff to chase outstanding debt from those landlords that are able to pay	50%	1.000	0.500	R	Housing - other excluding HRA
Business & Economic Recovery	Financial Claim made from Birmingham Museum Trust - Financial challenge due to lockdown	Financial statement from Org received, Sales income lost and Staff currently furloughed	Likely to be cashflow rather than grant - further risk of business recovery	60%	2.000	1.200	R	Cultural & related - other
Health & Welfare	Operational activity now costs more e.g. resources redirected towards critical services and agency staff backfill required - additional staff costs approximately £1m per month after August	Assumed additional staff costs to August as will need to resolve reviews etc in the period immediately after Covid 19	Assumed to August	50%	4.000	2.000	G	Adult Social Care - workforce pressures
Health & Welfare	Covid 19 requires ongoing change to proposed EICT model, extending the period of support required from Newton. Newton are creating a business case for the additional support being delivered.	Assumed that additional costs of support from Newton will be funded through CCG Covid 19 provision as this relates to Hospital Discharge.	Discussion with CCG indicates that they will pick this cost up.					
Health & Welfare	Covid 19 requires ongoing change to proposed EICT model, extending the period of support required from Newton and reducing assumed benefits and delivery of 2020/21 savings targets. Each month that the Packages of Care savings are not achieved costs approximately £1m.	Currently assumed that packages of care savings will still be achieved.		30%	12.000	3.600	R	Adult Social Care - additional demand
Health & Welfare	Potential that the end of "lock down" for the more vulnerable groups may take far longer than the general population requiring ongoing care packages, food and other hardship support. Total food costs are approx £50k per month.	Current costs for food supply etc are only to end June.		80%	0.225	0.180	G	Adult Social Care - other

Health & Welfare	Demand levels increase above operational planning levels e.g. patients discharged early from hospital into social care creating supply issues driving up costs. Currently assumed short term costs met by CCG but longer term impact mitigated by deaths.	Currently 400+ discharges taking place for those in hospital with no ongoing care needs - these are being funded by Health Covid 19 funding.	Range of measures being developed to support the Social Care Market built into cost tracker. This is likely to be mitigated by deaths in BCC/Self Funded placements which would reduce overall demand, particularly for residential and nursing placements.	25%	20.000	5.000	G	Adult Social Care - additional demand
Health & Welfare	Ongoing cost to Council of short term care decisions. Health are funding all discharges at the moment		Discharge to Assess pathways being applied - in the majority of cases this will mean ongoing care is correct	50%	5.000	2.500	G	Adult Social Care - additional demand
Health & Welfare	There is a risk that community grants for vulnerable families and children (HW018) may duplicate other support for these same groups due to a lack of clarity in the targeting of the additional support	The proposed new grants target the same groups as existing funding and services.	The same provider may be administering the various different grant funding schemes so would recognise duplication. Further development of the proposals is required.	50%	2.700	1.350	R	Children's Social Care - other
Health & Welfare	Homelessness - demand level increase in Temporary Accommodation over and above what has been approved to date	Use 100 units for B&B average cost less income for 6 months	Mitigation will be through prevention and moving on ability	60%	1.037	0.622	R	Housing - homelessness services
Health & Welfare	Savings non-delivery for Adult Social Care	MYR1 16+ / AD001 18+ / MIA7 16+ / HW317 / AD007 18+ / CC002 18+ / AD104 18+ Adult Packages of Care CC104 19+ Commercialisation		25%	0.443	0.111	R	Adult Social Care - additional demand
Health & Welfare	Savings non-delivery for Neighbourhoods	Assumed slippage of on Savings delivery planned in 2021/22	Mitigation will be through pace of recovery and implementation of plans	25%	2.832	0.708	R	Other - unachieved savings/delayed projects
Information Processing	Slippage on delivery of ERP replacement			90%	8.000	7.200	R	Finance & corporate - ICT & remote working
Information Processing	Temp Mortuary Facilities or capacity for funeral directors may extend beyond current estimates	3 months		50%	1.000	0.500	G	Environment & regulatory - cremation, cemetery and excess deaths
Environment	With Households in self isolation, there is a risk that the amount of Waste Tonnage will increase	Assume 5% cost increase on Disposal costs		80%	1.050	0.840	A	Environment & regulatory - waste management
Environment	A range of financial risks in Staffing within Street Scene (Neighbourhoods) may result in additional costs eg Agency costs required to backfill for staff who are self isolating etc	No assumptions calculated at the moment		Not yet quantified				
Business & Economic Recovery	Housing Revenue Account - ability for this ring fenced budget to be able to absorb all aspects of COVID within its ringfenced funding.	Assumption currently is that HRA will be able to absorb all costs from COVID	Full Assessment of additional cost implications - need to be checked? Mitigation will be funding from the Council based on supplier relief principles	2%	279.000	5.580	R	HRA Other

Appendix 3

Business Grants - Payment Progress

£25k grants			
Latest estimated eligibility		Paid to date* (cumulative)	
No. businesses	Total £m	No. businesses	Total £m

2,224	55.600	1,973	49.325
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£10k grants			
Latest estimated eligibility		Paid to date* (cumulative)	
No. businesses	Total £m	No. businesses	Total £m

16,691	166.910	11,874	118.740
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Total			
Paid to date* (cumulative)		Grant Received	Grant Left to be spent
No. businesses	Total £m	£m	£m

13,847	168.065	231.576	63.511
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