

# **BIRMINGHAM CITY COUNCIL**

## **RESOURCES OVERVIEW AND SCRUTINY COMMITTEE**

**THURSDAY, 12 MARCH 2020 AT 14:00 HOURS**  
**IN COMMITTEE ROOM 6, COUNCIL HOUSE, VICTORIA SQUARE,**  
**BIRMINGHAM, B1 1BB**

### **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](http://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 - 12**

#### **4 ACTION NOTES - 10 FEBRUARY 2020 AND 13 FEBRUARY 2020**

To confirm the action notes of the meetings held on 10 February 2020 and 13 February 2020.

**13 - 106**

#### **5 FINANCIAL MONITORING 2019/20 - MONTH 10**

- (A) Summary Note - to follow;
- (B) Month 10 report and appendices.

**107 - 126**

#### **6 PROCUREMENT AND CONTRACT MANAGEMENT**

- (A) Covering Note;
- (B) Procurement and Contract Management Overview - to follow.

**127 - 168**

7 **FUNDING OF THE COMMONWEALTH GAMES**

- (A) Athletes Village Revised Full Business Case;
- (B) Update on Partner Contributions;
- (C) Update on (i) Contribution to Organising Committee; (ii) Project Team Costs, and (iii) Operational Costs.

**169 - 172**

8 **ICT CHANGES WORKING GROUP - REVIEW OF IT IMPLEMENTATIONS**

Report back to Committee on the findings of the review.

**173 - 176**

9 **WORK PROGRAMME**

For discussion.

10 **DATE AND TIME OF NEXT MEETING**

The next meeting is scheduled to take place on Thursday, 9 April 2020 at 1400 hours in Committee Room 6, Council House.

11 **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).

12 **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.

13 **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****1000 hours on Monday 10 February 2020, Committee Rooms 3&4**

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**Present:**

Councillor Sir Albert Bore (Chair)

Councillors: Meirion Jenkins, Paul Tilsley and Lisa Trickett

**Also Present:**

Councillor Robert Alden

Councillor Tristan Chatfield, Cabinet Member for Finance and Resources

Councillor Ewan Mackey

Simon Ansell, Finance Business Partner

Stephen Arnold, Head of Clean Air Zone

Tim Oakley, Assistant Category Manager

Rajesh Parmar, Senior Solicitor

Mike Smith, Head of Commissioning and Procurement

Jayne Bowles, Scrutiny Officer

Emma Williamson, Head of Scrutiny

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**2. APOLOGIES**

Apologies were received from Councillors Muhammad Afzal, David Barrie and Yvonne Mosquito.

**3. DECLARATIONS OF INTERESTS**

None.

#### 4. REQUEST FOR CALL IN: SINGLE CONTRACTOR NEGOTIATIONS – CLEAN AIR ZONE MITIGATIONS APPLICATION AND CASE MANAGEMENT SYSTEM

(See documents 1, 2 and 3)

The Chair referred to Exempt Appendix 1 and advised that if this was brought into the discussion then the meeting would move into private session.

Cllr Robert Alden stated the following call-in criteria applied:

*5 – the Executive appears to have overlooked some relevant consideration in arriving at its decision;*

*6 – the decision has already generated particular controversy amongst those likely to be affected by it or, in the opinion of the Overview and Scrutiny Committee, it is likely so to do;*

*8 – there is a substantial lack of clarity, material inaccuracy or insufficient information provided in the report to allow the Overview and Scrutiny Committee to hold the Executive to account and/or add value to the work of the Council;*

*9 – the decision appears to give rise to significant legal, financial or propriety issues;*

*10 – the notification of the decision does not appear to have been in accordance with council procedures.*

He and Cllr Mackey summarised the key reasons for the call-in request:

- The Constitution states that the Chief Finance Officer and City Solicitor should certify single contractor negotiations (SCN) prior to their commencement; this is needed to proceed with the SCN. The Committee has not seen evidence of this;
- The Constitution also states that “SCNs are not to routinely be used as a means to award or extend contracts that have failed to be re-procured in sufficient time”, yet that is the justification given in this report. As has been previously discussed, not having enough time is not proof of urgency. Also, national legislation is clear that there should be a fixed deadline to enter into SCN and that is not the case here, as the implementation of the CAZ has already been deferred once;
- The private report states the name of the supplier; that should not have been private, but available to the public to take a view as to if this is an appropriate award of a contract. There can be no commercial issues for not revealing this. Furthermore, the information in paragraph 3.7 could allow the identification of the proposed supplier;
- The public report should reference information on the private; that is not the case here;
- Concerns were also raised about the use of soft market testing, with only two suppliers, already supplying to the council, being consulted;
- This is public money and the Constitution and due process should be followed.

The Cabinet Member and officers responded that:

- There is work on-going in managing procurement pipelines, it is currently not perfect, and is dependent on information from directorates;
- There is a deadline in relation to the CAZ, as there is pressure from Government to deliver this;

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

- In terms of the public report not identifying the contractor, the Cabinet Member accepted that was a valid point and, unless legal advice stated otherwise, could see no reason why the supplier name could not have been made public;
- With regard to procurement timelines, there had been issues in the past and work is on-going to improve the process;
- It was pointed out that Procurement can only go on advice provided by directorates;
- Whilst emails from Legal, Finance, Procurement and the Director had been provided, these were the usual approvals for the report and not the written authority which the Constitution requires;
- It was agreed that there is clearly a need to tighten up the wording in the Constitution as there is a lack of clarity about the meaning of that clause;
- However, the Chair's view was that the Constitution is clear and the fact that has not been abided by is not a reason for saying the procedure is in order;
- Members were told that when IT was transitioned into the council from Capita, this contract, like many others, was novated in;
- This led Members to question whether this was in fact a new contract or an extension of an existing contract, as the report is written in a way which leads you to conclude it is a new contract;
- It was confirmed that this is a variation to a contract and this route to market had been considered the most appropriate in view of the timelines;
- The Chair made the point that, as he has said before, it reports had been better written some call-ins would not have been requested and in this case the recommendations do not state that it is an extension of the current contract;
- He therefore suggested that the way forward was for the committee to agree to call-in the decision and the Cabinet Member agreed that this was the right decision, given the issues which need to be addressed;
- In summing up, the Chair highlighted the need to bring the issue of the procurement process to a future committee meeting to have a look at how the process has been managed in the past and whether changes need to be made;
- There is also a need to tighten up the way reports are written and the timetable acted upon, because too often things are being dealt with at the last minute and this cannot happen on a regular basis;
- Committee will look very closely at what happens now with this report regarding future actions of the Executive.

**RESOLVED:-**

The Committee agreed to call-in the decision for reconsideration by Cabinet by a unanimous vote of members present.

**5. OTHER URGENT BUSINESS**

None.

**6. DATE AND TIME OF NEXT MEETING**

Noted.

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

None.

**8. 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.

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The meeting ended at 1045 hours.

## BIRMINGHAM CITY COUNCIL

**RESOURCES O&S COMMITTEE – PUBLIC MEETING****1400 hours on Thursday 13 February 2020, Committee Room 6**

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**Present:**

Councillor Sir Albert Bore (Chair)

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

**Also Present:**

Councillor Tristan Chatfield, Cabinet Member for Finance and Resources

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

Rebecca Hellard, Interim Chief Finance Officer

Joanne Knight, Assistant Director, Service Finance

Sara Pitt, Assistant Director, Service Finance

Jayne Bowles, Scrutiny Officer

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**2. APOLOGIES**

Apologies were received from Councillor Yvonne Mosquito.

**3. DECLARATIONS OF INTERESTS**

None.

**4. ACTION NOTES – 16 JANUARY 2020**

(See document 1)

The Chair advised Committee of his intention to include the Commonwealth Games - Athletes Village Revised Full Business Case on the agenda for the March meeting.

**RESOLVED:-**

The action notes were agreed.

## 5. FINANCIAL MONITORING 2019/20 – QUARTER 3 (MONTH 9)

(See documents 2 and 3)

The Chair advised that the intention was to take the financial monitoring report alongside the Financial Plan and to then consider any further specific questions under the Financial Plan item.

The following points were raised:

- With regard to savings, the process for the Star Chamber over the next couple of weeks will be about getting clarity around the amber, red and purple non-deliverables and moving everything into the correct column so that there is absolute certainty moving forward into the next year what the position is and to start early work on getting the savings ahead of schedule;
- Challenge sessions have been held with directorates to work out whether existing and proposed savings are deliverable and undeliverable savings have been removed from 2020/21 onwards using a contingency which had been held in 2019/20 against a risk of non-delivery of savings;
- Some of these savings were identified three years ago and circumstances have since changed meaning the savings are no longer relevant;
- Reference was made to the overspend in Travel Assist and Members raised concerns that the rebasing of the budget (£3.9m additional funding and reductions in assumed savings of £0.8m) is not sufficient to meet all the budget pressures identified in the monitoring report, which amount to £6.1m;
- Members were told that the £3.9m figure was agreed with the directorate, who gave assurances that that figure was sufficient to meet the needs of the present model;
- This committee will continue to monitor the position with Travel Assist going forward into the new financial year;
- With regard to Housing Options, the financial monitoring report refers to an overspend of £3.863m and the Financial Plan states that in recognition of the service pressures, the Council has invested a further £4.4m in the Homelessness Service;
- It was queried why the two figures were different and Members were told that it is difficult to make projections as there cannot be certainty about demand pressures going forward;
- There is on-going work looking at the best and most cost-effective way of managing the service and there are two Invest to Save bids coming forward in relation to Temporary Accommodation and this was flagged as an issue for Committee to monitor next year;
- In response to a question about the cost and income from Temporary Accommodation, Members were told that a report had just gone through Cabinet which contained a freeze on the rate of rental income on Temporary Accommodation properties, pending a review;
- The budget monitoring report states that the largest movement in non-delivery of savings relates to Bereavement Services (£1.2m) as a consequence of fewer burials and cremations but there does not seem to be any reference to this in the Financial Plan;



- Members were told that there was originally a step-up, with a sweeping 5% across all income targets which helped to close the gap with the budget setting for 2019/20;
- All of that has now been challenged, with not just Bereavement Services finding they have been priced out of the market, hence the reduction in demand;
- That step-up element which makes the service uncompetitive has now been written out in the MTFP;
- With regard to Street Scene, the budget monitoring report states there is an overspend of £8.312m in Waste Management and the Chair asked for some reconciliation of that figure with what is contained in the Financial Plan;
- Members' attention was drawn to the MTFP which shows a total investment into Waste of £11.7m, of which £4.6m is a continuation of the rebasing of the budget, taking into account all the service issues;
- There should, therefore, be no repeat in the 2020/21 reports of the large overspend previously flagged up;
- Reference was made to the £5.7m unspent apprenticeship levy money whilst we are spending money on agency staff and there should be an ongoing apprenticeship scheme to support services such as refuse collection;
- It was pointed out that the Cabinet Member for Education, Skills and Culture had recently launched the Council's apprenticeship pledge;
- The need to look beyond silo thinking and how we achieve our outcomes was stressed and the Interim Chief Finance Officer told Members that there is a move towards strategic resource allocation for 2021/22;
- Members raised concerns around the savings in Adult Social Care, especially in view of the fact that the annual report of the Birmingham Safeguarding Adults Board, presented to the Health and Social Care O&S Committee recently, referred to 11,000 adults being at risk;
- Members were told that there is a need to understand the detail underneath the underspend and that the Free Conversations model is national good practice and leads to savings, as well as the impact of changing legislation;
- Some of the terminology used in the financial reports was queried, in particular 'rebasings', which is actually changing the budget, and 'pressures' which it was felt should be referred to as overspends, and the Cabinet Member and Interim Chief Finance Officer took those comments on board;
- The Chair concluded this item by saying that over the course of the budget year to date it has been easier for this committee to focus on issues due to the consistency in the presentation of reports;
- However, this month compares Month 9 with Month 6 (as it is the Cabinet quarterly report), which is not helpful – it would be more helpful to be able to compare Month 9 with Month 8;
- One final point was made in relation to picking up issues arising in the monitoring report and trying to ensure they have been reflected in the Financial Plan. For example, Appendix F lists the rebasing issues and whilst some can be seen in a way that relates to the monitoring report, others are not easy to pick up, making it difficult for O&S to hold the Executive to account;
- The Chair thanked officers for the improvement, but requested that these issues be addressed for 2020/21 and going forwards;

- The Cabinet Member placed on record his thanks to officers for their work in the run up to the publication of the Financial Plan.

**RESOLVED:-**

The report was noted.

**6. FINANCIAL PLAN 2020-2024**

(See documents 4 and 5)

The Chair referred to the comment that “Birmingham’s Business Rates growth appears to be at the lower end of metropolitan districts” and asked why that is.

The Cabinet Member explained that the figure comes from the CIPFA Resilience Index and is not something reported directly by us.

The Interim Chief Finance Officer added that Birmingham has more Enterprise Zones and this has a distorting effect in our comparisons. Another factor is the success of appeals and those are done by the Valuations Office.

**RESOLVED:-**

The report was noted.

**7. WORK PROGRAMME**

(See document 6)

**RESOLVED:-**

The work programme was noted.

**8. DATE AND TIME OF NEXT MEETING**

Noted.

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

None.

**10. OTHER URGENT BUSINESS**

Councillor Trickett raised an item of urgent business relating to an OJEU notice which had been published in respect of the contract for waste treatment services and questioned whether this was in line with council policy. It was pointed out that in June last year the council had declared a climate emergency and the OJEU notice makes no reference to that.

Although assurance had been given that the necessary approvals were in place, the authority had been signed off in 2018, before the IPCC report on the urgent need to move on climate.

Councillor Trickett expressed the view that the context of the original decision does not stand. The approval was made on the basis that the Veolia contract would be extended for one year, however a subsequent report extending the contract for five years contained a clear statement that in that period there would be a review and a structured and thought through procurement process.

The Interim Chief Finance Officer told Members there are many routes in public procurement and from a Finance point of view she would want to know we are satisfying our overall duty on best value, economy, efficiency and effectiveness and that it is in line with council policy.

The Chair suggested that from a procurement process standpoint, this should come back to committee in March and there may be issues identified then which need to be passed on to the Sustainability and Transport O&S Committee.

This was agreed, however Councillor Trickett stressed the importance of flagging the concern now.

**RESOLVED:**

That this issue will be considered at the March meeting.

**11. 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.

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The meeting ended at 1522 hours.





# Revenue Budget Monitoring Report

## 2019/20 Month 10

### Note for Resources O&S Committee

## 1. Purpose

- 1.1 Firstly, Members are asked if there are any issues raised in the Budget Monitoring Report that are not covered below.
- 1.2 Secondly, Members are asked to consider the issues set out below through engagement with the Cabinet Member(s) and officer(s) present.
- 1.3 Thirdly, Members are asked to consider whether there are:
  - any service impact issues they wish to refer to other O&S Committees;
  - any issues they wish to pick up at the next meeting of this committee.

## 2. Summary

- 2.1 At Month 10, the forecast outturn is estimated to be an underspend of £1.7m (£1.5m at Month 9).
- 2.2 There has been an improvement in the position of six Directorates, offset largely by an increased overspend in Neighbourhoods:

Directorate	Month 10 Base Budget Over/(Under)	Month 10 Savings Non- Delivery	Month 9 Base Budget Over/(Under)	Month 9 Savings Non- Delivery
	£m	£m	£m	£m
Adult Social Care*	(13.654)	0.000	(12.206)	0.000
Digital & Customer Services	(0.015)	0.000	0.000	0.000
Education & Skills*	0.406	0.000	0.584	0.000
Finance & Governance*	0.016	0.687	0.386	0.687
Human Resources*	(0.527)	0.000	(0.450)	0.000
Inclusive Growth*	(1.365)	1.503	(1.082)	1.455
Neighbourhoods	12.148	4.639	10.507	4.130



Partnerships, Insight & Prevention*	(0.171)	0.000	(0.100)	0.000
Corporate	(5.386)	0.000	(5.386)	0.000

\*Improvement from Month 9

- 2.3 In the Adult Social Care Directorate, there has been an increase of £0.3m in Specialist Care Services base budget pressure that mainly relates to additional staffing and agency costs, offset by an increase of income of £0.5m in Packages of Care relating to historic invoices previously in dispute and a reduction of £1.3m in the packages of care in the Older People sector.
- 2.4 In the Neighbourhoods Directorate, there has been a further £0.5m income pressure within Trade Waste and a £0.7m contractual termination fee associated with the employment of agency staff. The Housing Options is currently showing an overspend of £4.8m (£3.863m at Month 9) on a budget of £3.5m mainly from the growth in numbers presenting as homeless.
- 2.5 Birmingham Children's Trust Month 8 Budget Monitoring Report has highlighted a risk of potential overspend of £8.1m (£8.6m at Month 7) but further mitigations of between £1.76m and £3.4m are being investigated. The Council does not provide a guarantee to the Trust to fund an overspend. The Financial Plan 2020-24 provides an additional £6.1m to assist the Trust in future years.
- 2.6 Of the total approved savings plan in 2019/20 of £58.276m, £5.027m is at risk (£8.040m at Month 9) and £12.961m is on a red/purple non-delivery status (£10.906m at Month 9).

Directorate	Amber – At Risk	Red Non-Delivery	Purple - Undeliverable	One-off Mitigation in place
	£m	£m	£m	£m
Adult Social Care	0.000	(0.918)	0.000	0.000
Digital & Customer Services	0.000	0.000	(0.290)	(0.290)
Education & Skills	(5.027)	(1.985)	(1.718)	(3.703)
Finance & Governance	0.000	(0.717)	(0.468)	(0.498)
Human Resources	0.000	0.000	0.000	0.000
Inclusive Growth	0.000	(0.794)	(0.843)	0.000
Neighbourhoods	0.000	(1.486)	(3.742)	(0.589)
Partnerships, Insight & Prevention	0.000	0.000	0.000	0.000
Corporate Savings	0.000	0.000	0.000	0.000



- 2.7 In Adult Social Care, there is an over-achievement of savings of £0.918m relating to demand management within Packages of Care that offset the savings not being delivered in Specialist Care Services. In Digital & Customer Services, the one-off mitigations come from underspends within the directorate. In Education & Skills, Travel Assist savings non-delivery of £1.718m is being covered by a one-off Policy Contingency allocation and Efficiency, WOC and Management review savings of £1.010m have been made on a one-off basis from a one-off contingency no longer required. In Finance & Governance, the unachieved savings of £0.468m on Contract Management and external legal costs have been covered by underspends from other services within the Directorate and from surplus income. In Neighbourhoods, the £0.534m non-delivery of savings in Health & Wellbeing will be covered by the £3.9m funding from Policy Contingency.
- 2.8 The largest movement is the increase in savings classed as fully delivered, from £14.295m at Month 9 to £25.915m at Month 10, primarily related to savings of £5.0m in Adult Social Care high cost provision and £5.9m in ICT&D Strategy moving from on track to fully delivered.

### 3. Key Future Years Issues

- 3.1 Forecasts have been identified on non-achievement of savings in future years in relation to those savings classified as red or purple:

Directorate	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Adult Social Care	0.000	1.615	0.605	0.605
Digital & Customer Services	0.000	0.290	0.290	0.290
Education & Skills	0.000	4.750	5.569	5.569
Finance & Governance	0.687	1.410	1.490	1.490
Human Resources	0.000	0.000	0.000	0.000
Inclusive Growth	1.503	1.843	2.319	2.604
Neighbourhoods	4.639	3.730	3.652	3.652
Partnerships, Insight & Prevention	0.000	0.000	0.000	0.000
Corporate Savings	0.000	1.174	1.174	0.774



## **Adult Social Care Directorate**

- 3.2 The Directorate is reporting a base budget pressure of £8.0m in 2020/21, rising to £9.0m from 2021/22.
- £5.6m related to the continuation of need funded by the Winter Pressures Grant.
  - A shortfall in resources formerly funded from the Public Health Grant of £2.3m in 2020/21, rising to £3.3m from 2021/22.
  - Resources of £0.1m needed to fund posts previously funded by Public Health.
- 3.3 There is also a savings non-delivery of £1.615m reducing to £0.605m from 2021/22 arising from a reduction in the planned use of Public Health Grant within the Adults Service.

## **Digital and Customer Services Directorate**

- 3.4 The Directorate is reporting a base budget pressure of £0.9m in 2020/21, reducing to £0.6m in 2021/22.
- There is a pressure of £0.3m in 2020/21 only relating to an increase in demand for legal and procurement services following the insourcing of the Capita contract.
  - There is a pressure of £0.6m following a decision that Acivico will purchase its own IT system and no longer contribute to BCC costs.
- 3.5 The Directorate is also reporting savings non-delivery of £0.3m in future years relating to non-essential spending savings and cross-cutting consolidation savings.

## **Education and Skills Directorate**

- 3.6 The Directorate is reporting a base budget pressure of £7.6m in 2020/21, rising to £9.3m by 2022/23 relating to:
- There is a £1.5m base budget pressure in Travel Assist relating to the additional costs of the National Express contract and there are anticipated additional costs with tenders to cover £0.4m of living wage increase and £0.5m of costs related to the Clean Air Zone. These are offset by a net £0.2m assumed savings.
  - A base budget pressure in Early Years of £0.4m is expected related to the ongoing VAT costs of the staff formerly employed in Children's Centres who are due to transfer to Birmingham Community Healthcare Trust – funded in 2019/20 from Public Health as a one-off measure.
  - There is a base budget pressure in the Children's Trust of £6.1m relating to the growth in looked after children.
  - There is a pressure of £0.5m in Children's Social Care demography rising to £1.0m in 2022/23.





These pressures are partially offset by a reduction in the Children's Trust Contract price due to a reduction in their future Pension Contribution rates of £1.2m in 2020/21, falling to £0.5m by 2022/23.

- 3.7 The Directorate is also reporting savings non-delivery of £4.8m in 2020/21, rising to £5.6m in 2022/23 mainly relating to:
- Risk remains with the £2.4m savings non-delivery on Travel Assist.
  - A potential savings pressure in Birmingham Adult Education Services of £0.4m has arisen relating to an increase in the corporate support services recharge to Adult Education.
  - A potential savings pressure of £1.5m has arisen relating to Children's Trust step-up savings.
  - Potential savings pressures of £0.8m + £0.3m has arisen relating to Early Years step-up savings.

### **Finance and Governance Directorate**

- 3.8 The Directorate is reporting base budget pressures of £3.2m rising to £4.3m in 2022/23, including:
- £1.0m advertising income.
  - £0.9m rising to £2.1m in 2022/23 for CityServe.
- 3.9 There is a forecast savings non-delivery of £0.6m, rising to £0.7m in 2022/23, relating to £0.4m advertising income; £0.4m relating to CityServe; and £0.4m relating to Contract Management savings.

### **Inclusive Growth Directorate**

- 3.10 The Directorate has identified base budget pressures totalling £5.9m but with mitigations for a number of these pressures.
- 3.11 Some non-delivery of savings has also been identified:
- including £1.514m, rising to £2.391m in 2022/23 relating to InReach loan income.

### **Neighbourhoods Directorate**

- 3.12 The Directorate has identified a number of base budget pressures totalling £13.6m reducing to £12.3m in 2022/23, including:
- £3.5m Waste Management – Fleet.
  - £0.5m Waste Management – Street Cleaning income.
  - £1.5m reducing to £0.5m from 2021/22 relating to additional employee costs in refuse collection.
  - £3.8m Housing Options – Homeless.
  - £0.6m Housing Options – Impact of not increasing rents.



3.13 The Directorate has also identified a number of non-delivery of savings of £3.7m:

- £0.7m Street Scene.
- £1.1m Neighbourhoods.
- £0.7m Directorate-wide.
- £0.7m Regulation and Enforcement.
- £0.5m Housing Services.

### **Partnerships, Insight and Prevention Directorate**

3.14 There are base budget pressures of £1.0m, falling to £0.8m in 2022/23, comprising:

- £0.7m to meet service demand and ensure compliance with the Equality Act.
- £0.1m in 2020/21 only to fund a software upgrade within the central control centre.
- £0.2m to support communications and strategic marketing campaigns.

#### **Contact Officers:**

Emma Williamson, Head of Scrutiny - 464 6870

Jayne Bowles, Scrutiny Officer – 303 4810



**Report to Resources Overview & Scrutiny Committee  
12 March 2020**

**Financial Monitoring 2019/20 Month 10**

## **1. Purpose of Report**

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To summarise the overall position for 2019/20 and future years as at Month 10.

## **2. Information provided to Executive Management Team**

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- Appendix A - Report on Month 10 revenue monitoring position for 2019/20
- Appendix B - Report on Month 10 Capital Revenue monitoring position for 2019/20
- Appendix C – Treasury Management Month 10 Report

## **3. Summary of Key Issues**

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- Appendix A covers revenue monitoring. An underspend of £1.7m is forecast at Month 10.
- In future years, there were forecast savings that were not fully deliverable of £14.8m in 2020/21, increasing to £15.0m in 2022/23. This non-delivery has been taken into account in the Financial Plan 2020-2024.
- Appendix B covers capital monitoring. The capital budget has increased by £124.0m since Month 9 to £3,500.9m primarily due to the inclusion of new capital programmes that were part of the 2020/21+ budget setting process. Further details and narratives on these budget increases are explained in Appendix B3. At Month 10 there is a net forecast overspend of £59.7m mainly due to a forecast increase of £64.1m against the current Housing Revenue Account new build programme and a forecast underspend of £9.9m against the Enterprise Zone Capitalised Interest. Further details and narratives on all major variations are explained in Appendix B5.
- Appendix C monitors Treasury Management, which is on track.

### **Signatures**

### **Date**

Chief Finance Officer

.....

.....

Cabinet Member, Finance and Resources

.....

.....



**CORPORATE REVENUE BUDGET  
MONITORING REPORT 2019/20  
PERIOD 10**

**For EMT  
(year to 31<sup>st</sup> January 2020)**

Section

1. Executive Summary .....3

2. Key Issues identified since Period 9 .....6

3. Overview of the Savings Programme.....9

4. Risks and Mitigations ..... 13

5. Future Years Issues .....15

Annexes

1-8. Directorate Summaries .....20

9. Dedicated Schools Grant (DSG) Summary .....51

10. Housing Revenue Account (HRA) Summary .....59

11. Savings Programme.....60

12. Movement in Directorate Current Budgets since Period 9.....61

## Revenue Budget Management Report – Period 9 Forecast

### 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 is after assuming savings of £58.3m, including approving a savings programme of £46.2m and requiring a further £12.1m savings to be delivered that were achieved on a one-off basis in 2018/19. This is set out in Table 2.
- 1.2 Directorate Current Budgets have decreased by £0.5m since period 9, whilst Corporate budgets have increased by £0.5m. Details of these budget movements are set out in Annex 12.
- 1.3 At Period 10 the total forecast outturn is estimated to be an underspend of **£1.7m** with a further £0.1m of new savings being identified and included in the forecast.
- 1.4 In the movement from period 9 to period 10 there has been an overall improvement in the Directorate position of £0.2m largely relating to
- Forecast improvements in
- Adult Social Care of £1.4m
  - Inclusive Growth of £0.2m
  - Education & Skills of £0.2m
  - Human Resources of £0.1m
  - Partnerships, Insight and Prevention of £0.1m
  - Finance & Governance of £0.4m
- offset by a forecast increased overspend in
- Neighbourhoods of £2.2m
- 1.5 There is a £5.4m net underspend in Corporate Budgets including Policy Contingency (No change since Period 9).

- 1.6 Birmingham Children's Trust (BCT) Month 8 Budget Monitoring Report highlighted a risk of potential overspend of £8.1m. Further mitigations of between £1.7m and £3.4m are being investigated. This has not been included in the above forecast outturn position as BCT is a separate entity. The Council does not provide a guarantee to the Trust to fund an overspend and expects the Trust to manage its position. The potential 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. The Council is working with BCT to understand the financial position as the trust undertake a number of measures to mitigate the increasing demands upon their service. The Financial Plan 2020-2024 provides an additional £6.1m to assist the Trust in future years.
- 1.7 A summary of the forecast position for each Directorate is set out in Table 1.
- 1.8 There is a forecast underspend of £0.9m in Schools at Period 10. It is expected that any year end underspend will be appropriated to the DSG Grant Reserve. Further detail is contained in Annex 9.
- 1.9 There is a forecast balanced position in the Housing Revenue Account. Further detail is contained in Annex 10.



Table 1: Period 10 Forecast Outturn Position									
Directorate	Original Budget	Current Budget	Period 10 Forecast Outturn	Period 10 Forecast Base Budget Over /(Under)	Period 10 Forecast Savings Non-Delivery	Period 10 Forecast Over /(Under)	Period 9 Forecast Over /(Under)	Change since Period 9 (Improvement)/ Deterioration	
	£m	£m	£m	£m	£m	£m	£m	£m	%
Adult Social Care	325.692	331.225	317.571	(13.654)	0.000	(13.654)	(12.206)	(1.448)	(0.44)
Digital & Cust Services	22.046	31.244	31.229	(0.015)	0.000	(0.015)	0.000	(0.015)	(0.05)
Education & Skills	261.902	267.416	267.822	0.406	0.000	0.406	0.584	(0.179)	(0.07)
Finance & Governance	25.397	24.312	25.014	0.016	0.687	0.703	1.073	(0.370)	(1.52)
Human Resources	6.597	7.345	6.818	(0.527)	0.000	(0.527)	(0.450)	(0.077)	(1.05)
Inclusive Growth	97.515	98.441	98.579	(1.365)	1.503	0.138	0.373	(0.235)	(0.24)
Neighbourhoods	99.565	106.306	123.092	12.148	4.639	16.787	14.637	2.150	2.02
Partnerships, Insight and Prevention	6.442	6.735	6.564	(0.171)	0.000	(0.171)	(0.100)	(0.070)	(1.05)
<b>Directorate Sub Total</b>	<b>845.156</b>	<b>873.024</b>	<b>876.690</b>	<b>(3.163)</b>	<b>6.829</b>	<b>3.666</b>	<b>3.910</b>	<b>(0.244)</b>	<b>(0.03)</b>
Policy Contingency	42.244	24.978	17.886	(7.092)	0.000	(7.092)	(7.092)	0.000	0.00
Corporately Managed Budgets	91.600	80.998	82.704	1.706	0.000	1.706	1.706	0.000	0.00
Corporate Grants	(127.409)	(127.409)	(127.409)	0.000	0.000	0.000	0.000	0.000	0.00
<b>Corporate Subtotal</b>	<b>6.435</b>	<b>(21.433)</b>	<b>(26.819)</b>	<b>(5.386)</b>	<b>0.000</b>	<b>(5.386)</b>	<b>(5.386)</b>	<b>0.000</b>	<b>0.00</b>
<b>City Council General Fund</b>	<b>851.590</b>	<b>851.590</b>	<b>849.870</b>	<b>(8.549)</b>	<b>6.829</b>	<b>(1.720)</b>	<b>(1.476)</b>	<b>(0.244)</b>	<b>(0.03)</b>
Dedicated Schools Grant	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	n/a
<b>City Council Total</b>	<b>851.590</b>	<b>851.590</b>	<b>849.870</b>	<b>(8.549)</b>	<b>6.829</b>	<b>(1.720)</b>	<b>(1.476)</b>	<b>(0.244)</b>	<b>(0.03)</b>

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 26<sup>th</sup> Feb 2019

## **2. Key Issues since Period 9**

- 2.1 A number of budgetary pressures reported in the 2018/19 outturn are evident in the period 10 monitoring process which are due to issues with planned savings delivery and/or base budget pressures. They are the focus of management actions and recovery plans are in place to deliver within directorate budgets wherever possible.
- 2.2 At Period 10 the forecast overspend in Directorates has decreased by £0.9m since Period 9 primarily relating to the following:
- Adult Social Care is now forecasting an underspend of £13.7m. This has improved by £1.4m since Period 9 (Period 9 £12.3m underspend) relating to:
    - There is an £0.3m increase in Specialist Care Services base budget pressure since Period 9 that mainly relates to additional staffing and agency costs.
    - Packages of Care forecast a net improvement from period 9 of £1.8m due to additional income of £0.2m relating to invoices for overpaid packages of care, and £0.3m relating to historic invoices for joint funded packages of care which had previously been in dispute but for which agreement has now been agreed. In addition there is £1.3m reduction in the cost of packages of care in the Older People sector.
    - There is a £0.1m further pressure relating to other minor variations.
  - Education and Skills forecast an overspend of £0.4m in period 9. This has improved by £0.2m since Period 9 (Period 9 £0.6m overspend) relating to minor variations.
  - Neighbourhoods Directorate forecast an overspend of £16.8m. This has increased by £2.2m since Period 9 (Period 9 £14.6m overspend) relating to:
    - Street Scene forecasts an increase in overspend by £1.2m since Period 9 comprising £0.5m further income pressures within the Trade Waste and £0.7m relating to a contractual termination fee (of up to 4 weeks) associated with the employment of agency staff.
    - Housing Service forecasts an overspend of £5.2m from £4.2m since Period 9. The increase of £1.0m mainly relates to growth in numbers presenting as homelessness and the savings in Housing Strategic service redesign which were identified as at risk will not be delivered in this financial year.

- Inclusive Growth forecast an overspend of £0.2m. This has improved by £0.2m since period 9 (Period 9 £0.4m overspend) largely relating to Property Services due to delays in recruitment of staff
- Human Resources is now forecasting an underspend of £0.5m of which £0.2m relating to Schools HR. This has improved by £0.1m comparing to a £0.4m underspend at Period 9. The improvement primarily relates to vacancies and additional income received-
- Partnerships, Insight and Prevention (PIP) is now forecasting an underspend of £0.2m comparing to a £0.1m underspend at Period 9. The improvement is mainly as a result of vacancy management and other minor variations.
- Finance & Governance forecast an overspend of £0.7m. This has improved by £0.4m since period 9 (Period 9 £1.1m overspend) relating to:
  - Development and Commercial forecasts an £0.3m increase in overspend as a result of shortfall of income in Digital Advertising.
  - There is an increase in underspend of £0.5m in Service Finance due to an underspend on Prudential Borrowing costs linked to the SAP capital programme.
  - Other minor variations £0.2m underspend
- Digital & Customer Services forecasts a net balanced position which has not changed from Period 9. However there are key issues comprising:
  - Revenue and Benefits forecasts an underspend of £1.0m relating to surplus on Housing Benefit Subsidy. Given the overall uncertainty of grant income from DWP, as well as the further delay in the implementation of full Universal Credits (and associated financial risks), at year end it would be prudent to utilise some of the excess income for the subsidy in 2019/20 and allocate this to the specific benefits reserve, put in place to help manage the downsizing of the benefits operation over time.
  - IT&D - The forecast outturn assumes that all slippage from the Invest to Save Investment will be carried forward into 2020/21 to be utilised towards the IT&D service delivery, resulting in a nil variance outturn in 2019/20. The carry forward request will be included in the outturn report for Cabinet approval.

Further detail of each directorate forecast is set out in the Directorate Executive Summaries at Annexes 1-10 of this report.

- 2.4 There is scrutiny and challenge of the financial position on a monthly basis via the Council's monthly Leadership Team, Member led Star Chambers, EMT and Resources Overview & Scrutiny Committee. Quarterly reports are considered by Cabinet. Additional Member led Star Chambers have been established for those directorates that are forecasting significant overspends to explore the issues and develop solutions. This is continued throughout the year including early focus on the 2020/21 position. These measures will seek to provide appropriate challenge and support to ensure that directorates deliver services within their approved budget.

### 3. Overview of the Savings Programme

- 3.1 The total approved savings programme is £58.3m in 2019/20. This comprises the approved savings plan of £46.2m plus £12.1m of savings that were only delivered on a one-off basis in 2018/19. Of these £41.3m are on track, £5.0m at risk and £13.0m are classed as undeliverable or non-delivered (red/purple) shown in Table 2. This is broken down by approved savings and one off savings in Tables 2a and 2b in Annex 12. Table 3 illustrates the movement between Period 9 and Period 10.

Table 2: Overview of the Forecast Delivery of the 2019/20 Savings Programme									
Directorate	2019/20 Agreed Savings	On Track/ Fully Delivered against Programme	Blue - Fully Delivered	Green-On Track	Amber-At Risk	Red-Non Delivery	Purple-Undeliverable		One off Mitigations to address Savings Non-Delivery
	£m	%	£m	£m	£m	£m	£m		£m
Adult Social Care	(16.310)	94.4	(10.042)	(5.350)	0.000	(0.918)	0.000		0.000
Digital & Cust Services	(6.918)	95.8	(5.479)	(1.149)	0.000	0.000	(0.290)		(0.290)
Education & Skills	(8.797)	0.8	0.017	(0.084)	(5.027)	(1.985)	(1.718)		(3.703)
Finance & Governance	(2.831)	58.1	(0.958)	(0.688)	0.000	(0.717)	(0.468)		(0.498)
Human Resources	(0.718)	100.0	(0.718)	0.000	0.000	0.000	0.000		0.000
Inclusive Growth	(4.770)	65.7	(1.407)	(1.726)	0.000	(0.794)	(0.843)		0.000
Neighbourhoods Partnerships, Insight and Prevention	(18.564)	71.8	(7.008)	(6.328)	0.000	(1.486)	(3.742)		(0.589)
	(0.548)	100.0	(0.532)	(0.016)	0.000	0.000	0.000		0.000
<b>Directorate Subtotal</b>	<b>(59.456)</b>	<b>69.7</b>	<b>(26.127)</b>	<b>(15.341)</b>	<b>(5.027)</b>	<b>(5.900)</b>	<b>(7.061)</b>		<b>(5.080)</b>
Corporate Savings	1.180	100.0	1.180	0.000	0.000	0.000	0.000		0.000
<b>Total Programme</b>	<b>(58.276)</b>	<b>69.1</b>	<b>(24.947)</b>	<b>(15.341)</b>	<b>(5.027)</b>	<b>(5.900)</b>	<b>(7.061)</b>		<b>(5.080)</b>
<b>New savings</b>									
Inclusive Growth	0.000	n/a	(0.050)	(0.084)	0.000	0.000	0.000		0.000
<b>New Savings Subtotal</b>	<b>0.000</b>	<b>n/a</b>	<b>(0.050)</b>	<b>(0.084)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>
<b>Overachieved savings</b>									
Adult Social Care	0.000	n/a	(0.918)	0.000	0.000	0.000	0.000		0.000
<b>Overachieved Savings Subtotal</b>	<b>0.000</b>	<b>n/a</b>	<b>(0.918)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>
<b>Total Programme</b>	<b>(58.276)</b>	<b>70.9</b>	<b>(25.915)</b>	<b>(15.425)</b>	<b>(5.027)</b>	<b>(5.900)</b>	<b>(7.061)</b>		<b>(5.080)</b>
<b>Percentage of Total Programme excluding new and overachieved savings</b>	<b>100.00%</b>		<b>42.81%</b>	<b>26.32%</b>	<b>8.63%</b>	<b>10.12%</b>	<b>12.12%</b>		<b>n/a</b>

In total £7.1m is forecast to be undeliverable (purple) and £5.9m is forecast to be non-delivered (red) which is not delivered assumed in the forecast. Directorates will have to identify recovery plans to address this and bring those proposals to Cabinet where there is a policy implication. These could be alternative proposals or one-off mitigations. This has been addressed at Member led Star Chamber Meetings with detailed implementation plans being submitted for savings. £5.1m of one-off mitigations and £0.1m of new savings have been identified at Period 10. In addition there is £0.9m overachievement of savings at Period 10.

3.2 Of the £5.1m one-off mitigations mentioned above, £0.3m are in Digital & Customer Services, £3.7m in Education & Skill, £0.5m in Finance & Governance, and £0.6m in Neighbourhoods.

- In Digital & Customer Services, the unachieved non-essential savings target of £0.1m and unachieved consolidation programme saving target of £0.2m will be absorbed through underspends within the directorate in 2019/20. There are no potential impacts on service delivery.
- In Education & Skills, Travel Assist savings non-delivery of £1.7m is being covered in 2019/20 by a one-off Policy Contingency allocation. Savings of £1.0m for Efficiency, Workforce Contract savings and Management review have been made on a one off basis in 2019/20 from a one-off contingency no longer required. Other savings of £1.0m (mainly related to Commercialisation) have been achieved on a one-off basis from other managed expenditure reductions. Sustainable solutions for these savings will need to be identified from 2020/21 onwards. These savings do not impact on service delivery.
- In Neighbourhoods, £0.5m non-delivery of savings in Health and Wellbeing will be covered by the £3.9m funding from Policy Contingency and £0.1m other non-delivery has been covered by use of grant.
- In Finance & Governance, the unachieved savings of £0.3m on Contract Management has been covered by underspends from other services within the Directorate, and unachieved savings of £0.2m on external legal costs has been covered from surplus income.

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

3.5 Table 3 illustrates the movement between Period 9 and Period 10.

Table 3: Movement in Forecast Delivery of the 2019/20 Savings Programme						
	Blue - Fully Delivered	Green-On Track	Amber-At Risk	Red-Non Delivery	Purple-Undeliverable	One off Mitigations
	£m	£m	£m	£m	£m	£m
Period 10 Forecast	(25.915)	(15.425)	(5.027)	(5.900)	(7.061)	(5.080)
Period 9 Forecast	(14.925)	(25.457)	(8.040)	(4.716)	(6.190)	(3.582)
(Increase)/Decrease	(10.990)	10.032	3.013	(1.184)	(0.871)	(1.498)
Percentage Change (%)	73.6	(39.4)	(37.5)	25.1	14.1	41.8

The largest movement is an increase in savings classed as fully delivered of £11.0m. This is primarily related to savings of £5.0m related to Adult Social Care high cost provision and £5.9m related to the ICT&D Strategy moving from on track to fully delivered.

There was movement of £1.0m of various savings within Neighbourhoods classed as at risk to on track.

There was movement of £1.2m of various savings classed as at risk to non-delivery (largely related to Commercialisation within Education & Skills) and £0.8m various savings to undeliverable.

### 3.5 Definitions of the savings classifications are as follows:

- Fully delivered (Blue) – the saving has been fully implemented and the saving has been achieved.
- On track (Green) – Savings that are on target to meet delivery milestones and are expected to deliver the level of savings anticipated.
- At risk (Amber) – Savings yet to be delivered and there may be some risks to the delivery milestones and/or the level of savings originally anticipated.
- Non Delivery (Red) – the saving are experiencing difficulty in achieving their delivery plan milestones and/or the level of savings originally anticipated; mitigations will need to be identified immediately for consideration and approval via Cabinet.

- Undeliverable (Purple) – the Council is no longer pursuing this saving as it is no longer considered to be achievable. An immediate action is needed to develop an alternative proposal to deliver the value of the saving that will be considered and approved by Cabinet.
- One-off mitigation – an approved saving has had trouble being delivered in the way anticipated, but a one-off mitigation has been identified within the service area which need to be reported to and considered by Cabinet as appropriate.



#### **4. Risks and Mitigations not in the forecast**

- 4.1 There are a number of risk areas identified across Directorates that are being highlighted in summary to ensure proactive management and mitigation and to identify new opportunities. However, the Directorates are not yet able to assess and financially quantify those risks fully to include them in the forecast. These will be tracked, and progress reported in future reports. **Further details of Directorate Risks and Mitigations are set out in Annexes 1-10.**

All Services have undergone robust challenges via a series of Star Chambers in January which will continue into the new financial year. The Services have provided implementation plans for all savings or mitigation plans where the directorate has been able to. Where these have been developed these can be seen in the directorate annexes.

The calculation of 2019/20 bad debts provision may result in an increase in the provision required City Wide. The general bad debts provision will be provided at outturn.

4.2 Adult Social Care:

- Any fluctuations in demand over the Winter period may affect commitments against Packages of Care. As the gross budget is £303.8m, minor variations can have a considerable financial impact. This area of expenditure will be closely monitored.
- £2.6m of the base budget savings relate to a one-off benefit as the costs associated with the roll out of the Framework Pricing Policy are anticipated to be lower than anticipated. As providers are reviewed, and service users moved to Direct Payment arrangements, this forecast underspend may be at risk and is therefore being closely monitored.
- Health and Hospital Discharge Teams within the Assessment & Support Planning Service have reported an increase in hospital activity that has the potential to impact on both hospital discharges and the need for social care packages. This activity is being closely monitored by the service.

4.3 Education and Skills:

- Children's Trust –The latest report highlights a potential gross overspend of £8.1m less further mitigations of between £1.7m and £3.4m. The Council is working with BCT to understand the financial position as the Trust undertake a number of measures to mitigate the increasing demands upon their service. The Council does not provide a guarantee to the Trust to fund an overspend and expects the Trust to manage its position.
- Children's Trust Residual Costs £0.1m – Investigation is underway to validate potential costs.
- Travel Assist £0.2m: there are risks relating to increased SEND pupils requiring transport provision and the delay in implementing the Dynamic Purchasing System framework.
- Early Years Day Nurseries £0.1m: there are potential costs as a result of the transfer of day nurseries. The forecast has not changed since Period 6, but a residual risk against this area remains.
- Adult Education £0.1m: there is a potential shortfall on the income from fees and charges. Measures to mitigate this are being explored.
- Libraries £0.1m: there is a potential issue of £0.1m relating to an underachievement of income. Further work is being undertaken to investigate this.
- There is a potential overspend of £0.1m in Access to Education relating to increased staffing and building costs following the closure of Vauxhall Gardens.

#### 4.4 Neighbourhoods

The Directorate is investigating how costs can be reduced in a number of areas. These are yet to be quantified:

- A hazardous incident was addressed by Environmental Services. The final cost of this will be reported once known.
- Housing Options is currently showing an overspend of £4.8m on a budget of £3.5m, however if homelessness cases presenting increase further beyond the capacity of housing services, costs may increase further.
- There are potential risks related to unplanned property repairs within the Mortuary and the main Coroner's building.

## 5. Future Years Issues

- 5.1 Table 4 identifies forecast levels of non-achievement of savings in future years in relation to those savings classed as red or purple. It will be necessary for alternative savings proposals to be identified for consideration by Cabinet if the approved savings plans cannot be delivered as originally proposed and require policy decisions. All future years savings non delivery and pressures reported have been mitigated as part of the budget setting process 2021+

<b>Table 4: Forecast Levels of Non Delivery of Savings at Period 10 in All Years</b>				
<b>Directorate</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Adult Social Care*	0.000	1.615	0.605	0.605
Digital & Cust Services	0.000	0.290	0.290	0.290
Education & Skills	0.000	4.750	5.569	5.569
Finance & Governance	0.687	1.410	1.490	1.490
Human Resources	0.000	0.000	0.000	0.000
Inclusive Growth*	1.503	1.843	2.319	2.604
Neighbourhoods Partnerships, Insight and Prevention	4.639	3.730	3.652	3.652
	0.000	0.000	0.000	0.000
<b>Directorate Subtotal</b>	<b>6.829</b>	<b>13.638</b>	<b>13.925</b>	<b>14.210</b>
Corporate Savings	0.000	1.174	1.174	0.774
<b>Period 10 Total Programme</b>	<b>6.829</b>	<b>14.812</b>	<b>15.099</b>	<b>14.984</b>
Period 9 Total Programme	6.272	14.812	15.099	14.984
<b>Increase/ (Decrease)</b>	<b>0.557</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Percentage Change (%)</b>	<b>8.88%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

\*These figures are net of new and overachieved savings identified in Table 2.

Note: figures in 2019/20 include one off mitigations

- Adults: The Directorate is reporting a base budget pressure of £8.0m in 2020/21, rising to £9.0m from 2021/22.
  - £5.6m related to the continuation of Adult Social Care need funded by Winter Pressures Grant.
  - There is a shortfall in resources formerly funded from the Public Health Grant of £2.3m in 2020/21, rising to £3.3m from 2021/22.
  - There are resources of £0.1m needed to fund posts formerly funded by Public Health.

The Directorate is also reporting savings non-delivery of £1.6m in 2020/21, reducing to £0.6m from 2021/22 arising from a reduction in the planned use of the Public Health Grant within the Adults Service.

- Digital & Customer Services: The Directorate is reporting a base budget pressure of £0.9m in 2020/21, reducing to £0.6m in 2022/23
  - There is a pressure of £0.3m in 2020/21 only relating to increase in demand for legal and procurement services following the insourcing of the Capita Contract.
  - There is a pressure of £0.6m following a decision that Acivico will purchase its own IT system, and no longer contribute to BCC costs.
  - During 2020 the Council intends to review the Council Tax Support scheme. Any new proposals will be subject to extensive consultation and, dependent on the outcome of the consultation, changes may be made to the level of support awarded.

The Directorate is also reporting savings non-delivery of £0.3m in future years relating to:

- Non-delivery of £0.1m in relation to non-essential spending savings for which the Directorate are proposing alternative mitigations as part of the 2020/21 budget process.
  - Non-delivery of £0.2m of cross-cutting consolidation savings.
- Education & Skills: The Directorate is reporting a base budget pressure of £7.6m in 2020/21, rising to £9.3m by 2022/23 relating to:
    - Travel Assist: There is £1.5m base budget pressure relating to additional costs of the contract. Furthermore additional costs are anticipated with tenders to cover £0.4m of living wage increase and £0.5m of costs related to the Clean Air Zone (CAZ). This is offset by assumed savings of £0.2m.

- Early Years: A base budget pressure of £0.4m is expected related to the ongoing VAT costs of the staff formerly employed in Childrens centres who are due to TUPE transfer to Birmingham Community Healthcare Trust (BCHC).
- Children's Trust: There is a base budget pressure of £6.1m relating to growth in looked after children.
- There is a pressure of £0.5m in Childrens Social care demography from 2021/22, rising to £1.0m in 2022/23.
- These pressures are partially offset by a reduction in the Children's Trust Contract price due to a reduction in their future Pension Contribution rates of £1.2m in 2020/21, falling to £0.5m by 2022/23.

The Directorate is also reporting savings non-delivery of £4.8m in 2020/21, rising to £5.6m in 2022/23 mainly relating to:

- Travel Assist: Risks remain with the £2.4m savings non delivery on Travel Assist.
  - Birmingham Adults Education Services (BAES): A potential savings pressure of £0.4m has arisen relating to an increase to the corporate support services recharge to Adult Education, which was introduced as part of the commercialisation savings in 2019/20.
  - Children's Trust: A potential savings pressure of £1.5m has arisen relating to Children's Trust Step-up savings.
  - Early Years: A potential savings pressure of £0.8m has arisen relating to Early Years Step-up savings from 2021/22.
  - Workforce: A potential savings pressure of £0.3m has arisen relating to Early Years Step-up savings.
  - The Directorate is developing plans to mitigate the forecast levels of non-achievement of savings in future years.
- Inclusive Growth: The Directorate has identified the following base budget pressures.
    - £0.7m for Central Administration Building operating pressures,
    - £0.3m (rising to £0.6m in 2021/22) Wholesale Markets Income pressures,
    - £1.3m Health & Safety Compliance in the Corporate Estate,

- £0.2m (rising to £0.7m in 2021/22) Car Park income pressure related to the closure of car parks to facilitate the
- £0.7m other pressures below £0.2m. Details are provided in Annex 6
- £0.3m revenue implications from 2021/22 for approved capital programmes
- £2.4m related to income assumptions in future years reduced to ensure they remain at achievable levels.
- The Service has identified mitigations for some of these pressures totalling £1.5m with effect from 2021/22 resulting from the cessation of Prudential Borrowing costs. In addition the Service has also identified potential mitigations of £0.3m next year, rising to £0.9m by 2021/22 which will be considered as part of the 2020/21 budget process.

The Directorate has also identified non- achievement of savings as below

- £1.5m (rising to £2.4m in 2022/23) savings not delivered relating to InReach loan Income is developing plans to mitigate the forecast levels of non-achievement of savings in future years.
  - £0.3m other savings under £0.2m. Details are provided in Annex 6.
- Neighbourhoods: The Directorate has identified a number of base budget pressures totalling £13.6m, reducing to £12.3m in 2022/23 including:
    - £3.5m relating to Waste Management- Fleet
    - £3.8m Housing Options- Homeless
    - £1.5m reducing to £0.5m from 2021/22 relating to additional employee costs in refuse collection
    - £0.6m Housing Options – Impact of not increasing rents
    - £0.5m Waste Management- Street Cleaning Income
    - Further details are identified in Annex 7

The Directorate has also identified a number of non-delivery of savings of £3.7m:

- £0.7m Street Scene
- £1.1m Neighbourhoods

- £0.7m Directorate- wide
- £0.7m Regulation and Enforcement
- £0.5m Housing Services
- Further details are identified in Annex 7.

Following an incident at the Tyseley (ERF) plant consideration is required with regards to addressing the potential financial risk in future plant failure and the resultant re-direction of waste disposal.

- Finance & Governance:
  - There are base budget pressures of a further £3.2m rising to £4.3m in 2022/23 comprising the following:
    - £1.0m advertising income
    - £0.9m rising to £2.1m in 2022/23 for CityServe (Schools Catering)
    - £0.3m for VAT advice
    - £0.5m to remove an income target for balance sheet management
    - £0.3m for additional interim staff for 2020/21 only.
    - £0.5m for other pressures under £0.2m. Details are provided in Annex 4.
  - There is forecast savings non-delivery of £0.6m rising to £0.7m in 2022/23 relating to advertising income, £0.4m relating to CityServe, and £0.4m relating to Contract Management Savings.
- Partnerships, Insight and Prevention:
  - There are base budget pressures of a further £1.0m falling to £0.8m in 2022/23 comprising the following:
    - £0.7m to expand the existing team to meet service demand and ensure compliance with the Equality Act
    - £0.3m other pressures under £0.2m. Details are provided in Annex 8.

5.4 Further details are contained in in Annexes 1-8

## Annex 1 Adult Social Care Directorate

### 1. Executive Summary

- 1.1 The Council set the Adult Social Care Directorate a net budget of £325.7m for 2019/20 at its meeting on 26 February 2019. This net budget is after approving a savings programme of £14.6m and requiring a further £1.7m savings to be delivered that were achieved on a one-off basis in 2018/19. Following budget adjustments, the net budget for the Directorate is now £331.2m
- 1.2 At Period 10 the Adult Social Care Directorate forecasts that net spend for the year will be £317.6m. This would result in an underspend of £13.7m. with major underspends identified within Packages of Care and employees. This is an improvement of £1.4m against the forecast underspend at period 9. The underspend on packages of care reflects the Directorate's achievements against their challenging savings and transformation programme, whilst vacancies are being held to ensure savings related to the Customer Journey are achieved in future years. At period 10 no new savings have been identified.

Table 1: Period 10 Forecast Outturn Position												
Service	Original Budget	Current Budget	Forecast Outturn	Forecast Base Budget	Forecast Savings Non-	Forecast Over/ (Under)	Period 9 Forecast Over/	Change since Period 9 (Improvement)/ Deterioration		Net Future Budget Issues not		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	2020/21	2021/22	2022/23
Director	26.684	17.831	17.013	(0.818)	0.000	(0.818)	(0.944)	0.126	1%	4.390	4.390	4.390
Community & Operational	64.823	72.397	72.638	(0.677)	0.918	0.241	0.015	0.226	0%	2.800	2.800	2.800
Assessment & Support Planning	35.752	41.926	40.890	(1.036)	0.000	(1.036)	(0.985)	(0.051)	0%	1.400	1.400	1.400
Specialist Care Services	29.071	30.471	31.748	0.359	0.918	1.277	1.000	0.277	1%	1.400	1.400	1.400
Adult Packages of Care (PoC) Summary	202.394	211.954	200.275	(10.761)	(0.918)	(11.679)	(9.887)	(1.792)	-1%	2.300	2.300	2.300
PoC - Adults with a Learning Disability	96.685	94.806	94.369	(0.437)	0.000	(0.437)	(0.413)	(0.024)	0%	2.300	2.300	2.300
PoC - Adults with Mental Health Needs	3.894	12.803	11.545	(1.258)	0.000	(1.258)	(1.514)	0.256	2%			
PoC - Adults with a Physical Disability	28.718	29.617	29.566	(0.051)	0.000	(0.051)	(0.132)	0.081	0%			
PoC - Older People	71.220	72.635	62.704	(9.013)	(0.918)	(9.931)	(7.801)	(2.130)	-3%			
PoC - Working Age Dementia	1.877	2.093	2.091	(0.002)	0.000	(0.002)	(0.027)	0.025	1%			
Commissioning	31.791	29.042	27.644	(1.398)	0.000	(1.398)	(1.390)	(0.008)	0%	0.123	0.123	0.123
Service Total	325.692	331.224	317.570	(13.654)	0.000	(13.654)	(12.206)	(1.448)	0%	9.613	9.613	9.613

\*Details of future budget issues are provided in Table 2.



**Key issues identified since Period 9**

- 1.3 The forecast underspend of £13.7m is an improvement of £1.4m since Period 9.

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

- Specialist Care Services - £0.3m increase in base budget pressures due to additional staffing and agency costs.
- Packages of Care - £1.8m increase in the reported underspend. Additional income of £0.2m relating to invoices for overpaid packages of care, and £0.3m relating to historic invoices for joint funded packages of care which had previously been in dispute but for which agreement has now been agreed. In addition, there has been a £1.3m reduction in the actual costs of home-based care in the Older People sector, which are currently lower than the planned anticipated services reported at period 9.
- Other Minor Variations - £0.1m further pressures

**Savings “at risk” that are assumed to be delivered in the Forecast**

- 1.4 There are no savings identified as “at risk” (i.e. amber) that are assumed to be delivered in the forecast.

**Potential Mitigations not yet included in the Forecast**

- 1.5 Current forecasts are based on planned full delivery of these savings targets in 2019/20.

**Risks identified but not yet included in the Forecast**

- 1.6 The current forecast assumes the commitment at period 9 against Packages of Care will continue to the end of the financial year. Any fluctuation in demand over the Winter period may affect this assumption and on a Packages of Care gross budget of £303.8m, minor variations can have a considerable financial impact. This area of expenditure is being closely monitored

to ensure variations are investigated as soon as they are highlighted, however the current financial commitment is usually two months behind in terms of activity.

£2.6m of the base budget underspends relate to a one-off benefit as the costs associated with the roll out of the Framework Pricing Policy are anticipated to be lower than anticipated. As providers are reviewed, and service users moved to Direct Payment arrangements, this forecast underspend may be at risk and is therefore being closely monitored.

Health and Hospital Discharge Teams within the Assessment & Support Planning Service have reported an increase in hospital activity that has the potential to impact on both hospital discharges and the need for social care packages. This activity is being closely monitored by the service.

### Future Years

- 1.7 Issues that have the potential to impact on future years' budgets (excluding inflation adjustments) are presented in the table below.

Table 2: Future Year's Issues				
Future year's issue	Description of issue	Issue		
		2020/21 £m	2021/22 £m	2022/23 £m
<b>Base Budget Pressures</b>				
Public Health	Shortfall in resources formerly funded from the Public Health Grant	2.275	3.285	3.285
Public Health	Resources needed to fund posts formerly funded by Public Health	0.123	0.123	0.123
Winter Pressures	Short term grant funding	5.600	5.600	5.600
<b>Savings non-delivery</b>		0.000	0.000	0.000
AD103 HIV/TB Support	Shortfall in resources formerly funded from the Public Health Grant	0.115	0.115	0.115
AD006 Public Health	Shortfall in resources formerly funded from the Public Health Grant	1.500	0.490	0.490
<b>Mitigation</b>				
<b>Total</b>		<b>9.613</b>	<b>9.613</b>	<b>9.613</b>

**Annex 2 Digital & Customer Services**

1.1 The Council set the Digital and Customer Services Directorate (D&CS) a net budget of £26.8m for 2019/20 at its meeting on the 26<sup>th</sup> February 2019. This net budget is after approving a savings programme of £2.8m for 2019/20 and £4.1m of savings delivered on a one-off basis in 2018/19. Following budget adjustments, including allocations from Policy Contingency and transfers of services from other Directorates as part of the Council's new structure, the net original budget for the Directorate was revised to £22.0m and the net budget for the Directorate is now £31.2m

1.2 At Period 10 the D&CS Directorate forecasts that net spend for the year will be £31.2m a nil variance against budget.

<b>Table 1: Period 10 Forecast Outturn Position</b>												
<b>Digital and Customer Services</b>	<b>Original Budget</b>	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Forecast Base Budget Over/ (Under)</b>	<b>Forecast Savings Non-delivery</b>	<b>Forecast Over/ (Under)</b>	<b>Period 9 Forecast Over/ (Under)</b>	<b>Change since Period 9 (Improvement)/ Deterioration</b>		<b>Net Future Budget Issues not known when Budget set*</b>		
										<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	£m	£m	£m	£m	£m	£m	£m	£m	%	£m	£m	£m
Revenues & Benefits	2.791	2.838	2.838	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.000	0.000
Business Improvements	9.517	9.814	9.420	(0.394)	0.000	(0.394)	(0.415)	0.021	0.21	0.150	0.150	0.150
Customer Services	8.566	8.136	8.495	0.359	0.000	0.359	0.415	(0.056)	(0.69)	0.000	0.000	0.000
IT & Digital Services	1.005	10.289	10.289	0.000	0.000	0.000	0.000	0.000	0.00	0.900	(1.400)	(1.400)
Director of DC&S	0.168	0.168	0.188	0.020	0.000	0.020	0.000	0.020	11.90	0.039	0.039	0.039
<b>Directorate Total</b>	<b>22.047</b>	<b>31.245</b>	<b>31.230</b>	<b>(0.015)</b>	<b>0.000</b>	<b>(0.015)</b>	<b>0.000</b>	<b>(0.015)</b>	<b>(0.05)</b>	<b>1.089</b>	<b>(1.211)</b>	<b>(1.211)</b>

\*Details of future budget issues are provided in Table 2.

**Key issues identified since Period 9**

1.3 The key changes to D&CS Directorate's forecast underspend since Period 9 are:

- Revenues and Benefits – There is an anticipated surplus on the Housing Benefit Subsidy of £1.0m. Risks still exist around this forecast and the exact amount will not be known until the final claim is submitted at the end of the financial year, along with the level of Housing Benefit Overpayment Recovery and the level of debtors with the subsequent adjustment required to the Bad Debt Provision.

Given the overall uncertainty of grant income from DWP, as well as the further delay in the implementation of full Universal Credits (and associated financial risks), at year end it would be prudent to consider allocating some of the excess income for the subsidy in 2019/20 (subject to confirmation and audit) to a specific reserve around Universal Credit.

- IT&D - The forecast outturn assumes that all slippage from the Invest to Save Investment will be carried forward into 2020/21 to be utilised towards the IT&D service delivery, resulting in a nil variance outturn in 2019/20.

**Savings “at risk” that are assumed to be delivered in the Forecast**

1.4 There are no savings identified as “at risk” (i.e. amber) that are assumed to be delivered in the forecast.

**Potential Mitigations not yet included in the Forecast**

1.5 There are no plans to mitigate base pressures/savings non-delivery referred to above that are **not** currently included in the forecast.

**Risks identified but not yet included in the Forecast**

1.6 There are no risks that have been identified, that are **not** yet included in the forecast.

**Future Years**

1.7 Table 2 describes issues that may impact on future years' budgets.

Table 2: Future Year's Issues				
	Description of issue	Issue		
		2020/21 £m	2021/22 £m	2022/23 £m
<b>Base Budget Pressures</b>				
	Additional IT contracts Procurement Capacity following Capita Transition	0.150	0.000	0.000
	Additional IT contracts Legal Capacity following Capita Transition	0.150	0.000	0.000
	Loss of income	0.600	0.600	0.600
<b>Savings non-delivery</b>				
	Unachievable CC102A 19+ Consolidation Programme, Staff Consolidation	0.150	0.150	0.150
	Fall out of corporate support to enable delivery of saving E20d.9 in Corporate Strategy	0.039	0.039	0.039
	Unachievable Non-essential spending savings	0.140	0.140	0.140
<b>Mitigation</b>				
	Replacement savings submitted as part of the	(0.140)	(0.140)	(0.140)
	Additional SAP saving linked to ERP programme	0.000	(2.000)	(2.000)
<b>Total</b>		<b>1.089</b>	<b>(1.211)</b>	<b>(1.211)</b>

**Annex 3 Education & Skills Directorate****General Fund Forecast****1. Executive Summary**

- 1.1 The Council set the Education & Skills Directorate a net budget of £255.5m for 2019/20 at its meeting on 26 February 2019. This net budget is after approving a savings programme of £8.8m and requiring a further £0.4m savings to be delivered that were achieved on a one-off basis in 2018/19. Following budget adjustments, including allocations from Policy Contingency, the net budget for the Directorate is now £267.4m.
- 1.2 At Period 10 the Education & Skills Directorate forecasts that net spend for the year will be £267.8m. This would result in an overspend of £0.4m. The overspend is made up by a Base Budget overspend of £0.4m. There was a savings non-delivery of £1.7m, which was addressed through an in-year Policy Contingency funding transfer. The Education & Skills Directorate is actively pursuing actions to resolve the remaining overspend position. At period 10 there are no new savings included in the forecast.

Table 1: Period 10 Forecast Outturn Position												
Directorate	Original Budget	Current Budget	Period 10 Forecast Outturn	Forecast Base Budget Over/ (Under)	Forecast Savings Non-delivery	Period 10 Forecast Over/ (Under)	Period 9 Forecast Over/ (Under)	Change since Period 9 (Improvement/ Deterioration)		Net Future Budget Issues not known when Budget set*		
										2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m	£m	£m	£m	%	£m	£m	£m
Service General Fund												
Access to Education	(0.020)	(0.020)	(0.020)	0.000	0.000	0.000	0.000	0.000	0.0%	0.000	0.000	0.000
Children With Complex Needs Transport	20.757	23.654	25.086	1.432	0.000	1.432	1.541	(0.110)	-0.5%	4.694	4.694	4.694
Education Psychology Service	2.463	2.463	2.463	0.000	0.000	0.000	0.000	0.000	0.0%	0.000	0.000	0.000
Higher Needs	1.627	1.627	1.627	0.000	0.000	0.000	0.000	0.000	0.0%	0.000	0.000	0.000
Inclusion & SEND	24.827	27.724	29.156	1.432	0.000	1.432	1.541	(0.110)	-0.4%	4.694	4.694	4.694
Education & Early Years	14.512	18.205	17.122	(1.084)	0.000	(1.084)	(0.945)	(0.138)	-0.8%	0.408	1.227	1.227
Children's Trust	183.285	183.179	183.687	0.508	0.000	0.508	0.360	0.148	0.1%	6.518	7.383	8.262
Strategic Leadership	14.859	13.505	12.793	(0.712)	0.000	(0.712)	(0.634)	(0.078)	-0.6%	0.287	0.287	0.287
Skills and Employability	24.418	24.802	25.064	0.262	0.000	0.262	0.261	0.001	0.0%	0.430	0.430	0.430
<b>Education &amp; Skills</b>	<b>261.902</b>	<b>267.416</b>	<b>267.822</b>	<b>0.406</b>	<b>0.000</b>	<b>0.406</b>	<b>0.584</b>	<b>(0.178)</b>	<b>-0.1%</b>	<b>12.337</b>	<b>14.021</b>	<b>14.900</b>

\*Details of future budget issues are provided in Table 4

### Key issues identified since Period 9

- 1.3 The forecast overspend of £0.4m is an improvement of £0.2m since Period 9 due to minor variations.

### Savings “at risk” that are assumed to be delivered in the Forecast

- 1.3 Table 2 details those savings identified as “at risk” (i.e. amber) that are assumed to be delivered in the forecast. It further identifies the management actions being put in place to ensure that they will be delivered.

Table 2: Savings at risk							
Savings rated as amber	Reason saving rated amber	Saving at risk 2019/20 £m	Saving at risk 2020/21 £m	Saving at risk 2021/22 £m	Saving at risk 2022/23 £m	management actions to ensure savings delivered	when will outcome be known?
Reduction in Children's Trust contract payment (CH5 17+)	Increased demand and cost of childrens placements and remand pressures.	(4.027)	(4.027)	(4.027)	(4.027)	Further mitigations being sought within Childrens Trust alongside those already identified. The Council does not provide a guarantee to the Trust to fund an overspend and expects the Trust to manage its position.	01/04/2020
Commercialisation (CC104 19+)	Saving arising from support service increase which required a corresponding reduction in Adult Education Service, which the service has been unable to meet corresponding expenditure reductions to accommodate.	0.000	(0.484)	(0.484)	(0.484)	Ongoing review of Adult Education Service budgets and a joint corporate and service review of recharge to the service.	01/04/2020
Building and Property (CY106 19+)	Issues relating to proposed relocation of staff teams	0.000	(0.080)	(0.080)	(0.080)	Review of re-location of staff team proposals so that savings are delivered from 2020/21 onwards.	01/04/2020
Children's Trust (CY108 19+)	Risk against delivery of efficiencies, support service, transformation and demand management.	(1.000)	(1.000)	(1.000)	(1.000)	Further mitigations being sought within Childrens Trust alongside those already identified.	
<b>Total</b>		<b>(5.027)</b>	<b>(5.591)</b>	<b>(5.591)</b>	<b>(5.591)</b>		



### Potential Mitigations not yet included in the Forecast

- 1.5 There are no plans to mitigate base pressures/savings non-delivery referred to above that are **not** currently included in the forecast.

### Risks identified but not yet included in the Forecast

- 1.6 Table 3 details risks that have been identified, but are **not** yet included in the forecast.

Table 3: Risks							
Risk	probability (H,M,L)	potential financial impact 2019/20 £m	potential financial impact 2020/21 £m	potential financial impact 2021/22 £m	potential financial impact 2022/23 £m	management actions to avoid/minimise risk	when will outcome be known?
Children's Trust	H	3.023				This is part of the gross overspend of £8.050m less further mitigations planned of £1.700m. Further mitigations of £1.700m being sought.	31/03/2020
Children's Trust Residual	M	0.100	0.100			Validation of potential costs.	31/03/2020
Travel Assist Transport Provision	M	0.150				Management actions are being developed to introduce more efficient transport arrangement relating to use of guides and independent travel training.	31/03/2020
Early Years Day Nurseries	M	0.100				Management reviewing actions to reduce spend.	31/03/2020
Adult Education	M	0.100				Management reviewing potential for further ESFA grant funding	31/03/2020
	L	0.100					31/03/2020

Libraries						Management reviewing actions to reduce spend.	
Access to Education (Vauxhall Gardens)	L	0.060				Management reviewing actions to reduce spend.	31/03/2020
Total		3.633	0.100	0.000	0.000		

### Future Years

1.7 Table 4 describes issues that may impact on future years' budgets.

Table 4: Future Year's Issues				
Future year's issue	Description of issue	Issue		
		2020/21 £m	2021/22 £m	2022/23 £m
<b>Base Budget Pressures</b>				
1. Travel Assist	Additional costs of new transport contract	1.500	1.500	1.500
2. Travel Assist	Additional costs of new DPS framework	0.890	0.890	0.890
3. Early Years	Additional VAT liability on contract	0.408	0.408	0.408
4. Children Trust	Budget pressure from placements and remand	6.100	6.100	6.100
5. Children Trust Recharges	Historic recharge issues	0.121	0.121	0.121
6. Children Trust	Children Social Care demography	0.000	0.500	1.000
<b>Savings non-delivery</b>				
1. Travel Assist	Red-rated savings risk	2.488	2.488	2.488
2. Adult Education Service	Part non-delivery of recharge saving	0.430	0.430	0.430
3. Children Trust	Step up saving 2020/21	1.545	1.545	1.545
4. School Transport	Part reversal of saving 2020/21	1.186	1.416	1.646
5. Workforce	Workforce (WOC) step-up saving 2021/21	0.287	0.287	0.287
6. Early Years	Step up saving 2020/21	0.000	0.819	0.819
<b>Mitigation</b>				
1. Children Trust	Contract price reduction due to reduced pension rates	(1.248)	(0.883)	(0.504)
2. School Transport	Assumed savings 2020/21	(1.370)	(1.600)	(1.830)
<b>Total</b>		<b>12.337</b>	<b>14.021</b>	<b>14.900</b>

## **Annex 4 Finance and Governance Directorate**

### **1. Executive Summary**

- 1.1 The Council set the Finance and Governance Directorate a net budget of £25.4m for 2019/20 at its meeting on 26 February 2019. This net budget is after approving a savings programme of £2.3m and requiring a further £0.5m savings to be delivered that were achieved on a one-off basis in 2018/19. Following budget adjustments, including allocations from Policy Contingency the net current budget for the Directorate is now £24.3m
- 1.2 At Period 10 the Finance and Governance Directorate forecasts that net spend for the year will be £25.0m. This would result in an overspend of £0.7m. The overspend reflects savings non-delivery of £0.7m. The Finance and Governance Directorate is actively pursuing solutions to resolve this position. At Period 10 no new savings have been identified and included in the forecast.

<b>Table 1: Period 10 Forecast Outturn Position</b>												
<b>Directorate</b>	<b>Original Budget</b>	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Forecast Base Budget Over/ (Under)</b>	<b>Forecast Savings Non-delivery</b>	<b>Forecast Over/ (Under)</b>	<b>Period 9 Forecast Over/ (Under)</b>	<b>Change since Period 9 (Improvement)/ Deterioration</b>		<b>Net Future Budget Issues not known when Budget set*</b>		
	£m	£m	£m	£m	£m	£m	£m	£m	%	2020/21	2021/22	2022/23
Development & Commercial	(4.374)	(4.313)	(2.535)	1.091	0.687	1.778	1.684	0.094	(2.19)	3.563	4.178	4.762
Service Finance	20.487	19.295	18.747	(0.548)	0.000	(0.548)	(0.100)	(0.448)	(2.32)	1.019	1.019	1.019
GBSLEP	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.000	0.000
City Solicitor	7.754	7.675	7.389	(0.286)	0.000	(0.286)	(0.286)	0.000	0.00	0.000	0.000	0.000
Birmingham Audit	1.529	1.655	1.414	(0.241)	0.000	(0.241)	(0.223)	(0.018)	(1.07)	0.000	0.000	0.000
<b>Directorate Total</b>	<b>25.396</b>	<b>24.312</b>	<b>25.015</b>	<b>0.016</b>	<b>0.687</b>	<b>0.703</b>	<b>1.074</b>	<b>(0.371)</b>	<b>(5.57)</b>	<b>4.582</b>	<b>5.197</b>	<b>5.781</b>

\*Details of future budget issues are provided in Table 2

### **Key issues identified since Period 9**

1.3 The forecast overspend of £0.7m is an improvement of £0.4m since Period 9.

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

- Development and Commercial - £0.3m deterioration in income shortfall based on latest forecast from 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.
- Service Finance - £0.5m improvement due to an underspend on Prudential Borrowing costs (linked to the SAP capital programme due to reduced activity pending implementation of new Finance and HR ERP).
- Other minor variations of £0.2m underspend, mainly related to Development and Commercial.

### **Savings “at risk” that are assumed to be delivered in the Forecast**

1.4 There are no savings identified as “at risk” (i.e amber) that are assumed to be delivered in the forecast.

### **Potential Mitigations not yet included in the Forecast**

1.5 There are no further plans to mitigate base pressures/savings non-delivery referred to above that are **not** currently included in the forecast.

### **Risks identified but not yet included in the Forecast**

1.6 No risks have been identified that are **not** yet included in the forecast.

## Future Years

1.7 Table 2 describes issues that may impact on future years' budgets.

Table 2: Future Year's Issues					
Future year's issue	Description of issue	Issue			
		2020/21 £m	2021/22 £m	2022/23 £m	
Base Budget Pressures					
PFG001 20+ Digital Advertising	Mainly as a result of cabling works, closure of roads, planning restrictions and continued economic uncertainty.	0.997	0.997	0.997	
PFG002 20+ Cityserve (schools catering)	Reduction in commercial activity relating to the schools catering element of Cityserve	0.906	1.490	2.074	
PFG003 20+ Cleaning	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.	0.000	0.201	0.201	
VAT	Sustainable resource for additional cost of VAT advice	0.250	0.250	0.250	
Interim Staff	Additional interim Finance staff for 2020/21	0.250	0.000	0.000	
Balance Sheet Management	Previous benefits from balance sheet management are no longer available	0.500	0.500	0.500	
NNDR refunds - BCC owned property revaluations	Unachievable income target associated with Business Rates appeals	0.218	0.218	0.218	
Additional Audit Work fee	Estimated additional future cost of audit work	0.051	0.051	0.051	
Savings non-delivery					
CY003 CityServe	Reduction in commercial activity relating to the schools catering element of Cityserve	0.387	0.387	0.387	
CC4 17+, SS002a - Digital Advertising forecast shortfall	Mainly as a result of cabling works, closure of roads, planning restrictions and continued economic uncertainty.	0.623	0.703	0.703	
CC106 19+ Contract Management Savings	Unachievable income target associated with Contract Management	0.400	0.400	0.400	
Total		4.582	5.197	5.781	

## **Annex 5 Human Resources**

### **1. Executive Summary**

- 1.1 The Council set the Human Resources (HR) Directorate a net budget of £6.6m for 2019/20 at its meeting on 26 February 2019. This net budget is after approving a savings programme of £0.5m and requiring a further £0.2m savings to be delivered that were achieved on a one-off basis in 2018/19. Following budget adjustments, including allocations from Policy Contingency, the net budget for the Directorate is now £7.3m.
- 1.2 At Period 10 the HR Directorate forecasts that net spend for the year will be £6.8m. This would result in an underspend of £0.5m.

<b>Table 1: Period 10 Forecast Outturn Position</b>												
<b>Service</b>	<b>Original Budget</b>	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Forecast Base Budget Over/ (Under)</b>	<b>Forecast Savings Non-delivery</b>	<b>Forecast Over/ (Under)</b>	<b>Period 9 Forecast Over/ (Under)</b>	<b>Change since Period 9 (Improvement)/ Deterioration</b>		<b>Net Future Budget Issues not known when Budget set*</b>		
										<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
HR Schools	0.141	0.141	(0.089)	(0.230)	0.000	(0.230)	(0.230)	0.000	0.00	0.000	0.000	0.000
HR Services	6.456	7.204	6.907	(0.297)	0.000	(0.297)	(0.220)	(0.077)	(1.07)	0.000	0.000	0.000
<b>Directorate Total</b>	<b>6.597</b>	<b>7.345</b>	<b>6.818</b>	<b>(0.527)</b>	<b>0.000</b>	<b>(0.527)</b>	<b>(0.450)</b>	<b>(0.077)</b>	<b>(1.05)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

**Key issues identified since Period 9**

- 1.3 The forecast underspend of £0.5m of which £0.2m relating to underspend in schools HR is an improvement of £0.1m since Period 9 as a result of vacancies held and additional income received.

**Savings “at risk” that are assumed to be delivered in the Forecast**

- 1.4 There are no savings identified as “at risk” (i.e. amber) that are assumed to be delivered in the forecast.

**Potential Mitigations not yet included in the Forecast**

- 1.5 There are no base pressures/savings non-delivery pressures in the forecast to mitigate for.

**Risks identified but not yet included in the Forecast**

- 1.6 There are no new risks that have been identified, that are **not** yet included in the forecast.

**Future Years**

- 1.7 No issues have been identified that may impact on future years' budgets.



## **Annex 6 Inclusive Growth Directorate**

### **1. Executive Summary**

- 1.1 The Council set the Inclusive Growth Directorate a net budget of £104.0m for 2019/20 at its meeting on 26 February 2019. This net budget is after approving a savings programme of £2.8m and requiring a further £1.9m savings to be delivered that were achieved on a one-off basis in 2018/19. Following budget adjustments, including the transfer of Educational Skill and Infrastructure to Education and Skills Directorate, allocation of £0.6m Policy Contingency to cover price increases in Street Lighting electricity, £0.1m Policy Contingency for Council House improvements, £0.1m Mobile Investment Fund Policy Contingency plus other minor changes, the net budget for the Directorate is now £98.4m.
- 1.3 At Period 10 the Inclusive Growth Directorate forecasts that net spend for the year will be £98.6m. This would result in an overspend of £0.2m. The overspend is made up of a Base Budget underspend of £1.3m and Savings non-delivery of £1.5m. The Inclusive Growth Directorate is actively pursuing solutions to resolve this position.

<b>Table 1: Period 10 Forecast Outturn Position</b>												
<b>Service</b>	<b>Original Budget</b>	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Forecast Base Budget Over/ (Under)</b>	<b>Forecast Savings Non-delivery</b>	<b>Forecast Over/ (Under)</b>	<b>Period 9 Forecast Over/ (Under)</b>	<b>Change since Period 9 (Improvement)/ Deterioration</b>		<b>Net Future Budget Issues not known when Budget set*</b>		
	£m	£m	£m	£m	£m	£m	£m	£m	%	2020/21 £m	2021/22 £m	2022/23 £m
P&D City Centre, EZ, BDI	3.257	(0.571)	(1.637)	(1.066)	0.000	(1.066)	(1.031)	(0.035)	6.13	0.261	0.261	0.261
Transportation & Connectivity	46.159	46.308	46.008	(0.300)	0.000	(0.300)	(0.300)	0.000	0.00	2.482	2.400	2.400
P&D Strategy & Planning	0.963	4.474	3.894	(0.680)	0.100	(0.580)	(0.622)	0.042	0.94	0.000	0.000	0.000
Birmingham Property Services	(3.743)	(4.345)	(1.855)	2.244	0.246	2.490	2.732	(0.242)	5.57	2.763	1.430	1.430
Housing Development	(0.322)	(0.322)	0.372	0.000	0.694	0.694	0.694	0.000	0.00	1.514	2.106	2.391
Highways & Infrastructure	43.483	43.969	42.869	(1.563)	0.463	(1.100)	(1.100)	0.000	0.00	0.001	0.288	0.288
Inclusive Growth Director	7.718	8.928	8.928	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.000	0.000
Other Funds - Holding A/Cs	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.000	0.000
<b>Directorate Total</b>	<b>97.515</b>	<b>98.441</b>	<b>98.579</b>	<b>(1.365)</b>	<b>1.503</b>	<b>0.138</b>	<b>0.373</b>	<b>(0.235)</b>	<b>(0.24)</b>	<b>7.021</b>	<b>6.485</b>	<b>6.770</b>

\*Details of future budget issues are provided in Table 2

**Key issues identified since Period 9**

- 1.3 The forecast overspend of £0.2m is an improvement of £0.2m since Period 9.

The key changes to Inclusive Growth Directorate's forecast over/underspend since Period 9 are:

- Property Services - £2.5m Deficit (Period 9 £2.7m Deficit):
  - £0.2m reduction in overspend increase due to delays in recruitment of staff.

Savings that cannot be achieved in line with the original proposals and their ongoing mitigations:

- Controlled Parking Zone (SN35) - The introduction of the Controlled Parking Zone has been delayed due to issues relating to implementation of new Traffic Regulation Orders which are required in order to enforce the parking controls. The issues have proved to be more extensive than previously expected and the implementation date is now expected to be June 2020. This will result in a forecast shortfall in income in 2019/20 of £0.5m from this source which is being mitigated through income currently being generated through car parking and civil parking enforcement.

**Savings “at risk” that are assumed to be delivered in the Forecast**

- 1.4 There are no savings identified as “at risk” (i.e. amber) that are assumed to be delivered in the forecast.

**Potential Mitigations not yet included in the Forecast**

- 1.5 Use of base budget underspend:

Base budget mitigations will be identified where possible to balance the position either at a Division of Service or Directorate level.

**Risks identified but not yet included in the Forecast**

- 1.6 There are currently no risks excluded from the forecast.

## Future Years

1.7 Table 2 describes issues that may impact on future years' budgets.

Table 2: Future Year's Issues				
Future year's issue	Description of issue	Issue		
		2020/21 £m	2021/22 £m	2022/23 £m
<b>Base Budget Pressures</b>				
<b>Property Services:</b>				
Central Administration Building (CAB) Income	Income target related to increased external occupation of the CAB estate which is unlikely to be achieved given requirement for increased agility.	0.240	0.240	0.240
CAB Operating Expenditure Pressure	An exercise has been carried out to establish realistic running costs for the CAB estate following above inflationary increases in utilities and increase repairs and maintenance demands.	0.660	0.660	0.660
Wholesale Markets Income Pressure	Following the first full year of operation, it has emerged that estimates of rental income and running costs as well as its occupancy are significantly different to those assumed in the business cases.	0.317	0.606	0.603
Health & Safety Compliance in Corporate Estate – H&S surveys	A programme of condition surveys will be undertaken by Acivico & BCL commencing 1 <sup>st</sup> April 2020 across the entire Council property portfolio (excluding Housing and Schools)	1.250	1.250	1.250
Security Net Surplus Budget	This is a predominantly internal cost recovery service with no ability to generate the budgeted net surplus.	0.180	0.180	0.180
<b>Highways &amp; Infrastructure :</b>				
Proposed sale or closure of car parks to facilitate development of the Smithfield site	The demolition of Pershore Street and Markets car parks allows the Smithfields site, which is already being redeveloped, to progress. This leaves car parks with a budget pressure due to lost income surpluses.	0.159	0.730	0.730
Local car parking income pressure	Local Car Parking service has failed to achieve the budgeted income target in recent years. Usage and income to date suggest a similar pattern of usage and income going forward.	0.190	0.190	0.190
A38 Tunnel Waterproofing & City Centre Revitalisation	Prudential borrowing to fund urgently required tunnel waterproofing and the revenue implications of city centre revitalisation works such as loss of car parking bays	0.001	0.288	0.288

Table 2: Future Year's Issues				
Future year's issue	Description of issue	Issue		
		2020/21 £m	2021/22 £m	2022/23 £m
<b>Planning &amp; Development :</b>				
European & International Affairs: inability to achieve self-funding due to non-income generating activity and match-funding requirements/interest rates	inability to achieve self-funding due to non-income generating activity and match-funding requirements/interest rates.	0.048	0.048	0.048
<b>Transportation &amp; Connectivity:</b>				
Overhead recovery rate to be written out	Ability to bring forward development projects sufficiently quickly is jeopardising the budgeted surplus targets.	2.400	2.400	2.400
<b>Strategic Director Inclusive Growth:</b>				
Route to Zero (R20)	Revenue funding to support the creation of a Taskforce and the commissioning of an experienced supplier to carry out a R20 study to inform the city and Council on what it needs to do to tackle climate change	0.082	0.000	0.000
<b>Savings non-delivery</b>				
<b>Property Services :</b>				
CAB Reduction	Shortfall in revenue income generated from ring-fenced capital receipts due to revised timelines for disposal.	0.116	0.000	0.000
<b>Planning &amp; Development :</b>				
European & International Affairs	inability to achieve self-funding due to non-income generating activity and match-funding requirements/interest rates.	0.213	0.213	0.213
<b>Housing Development :</b>				
InReach (Birmingham) Ltd - Loan Income	Ability to bring forward development projects sufficiently quickly is jeopardising the budgeted surplus targets.	1.514	2.106	2.391

Table 2: Future Year's Issues				
Future year's issue	Description of issue	Issue		
		2020/21 £m	2021/22 £m	2022/23 £m
<b>Mitigation</b>				
<b>Property Services:</b>				
Central Admin Building (CAB) Income	mitigation resulting from the cessation of prudential borrowing costs.	0.000	(0.240)	(0.240)
CAB Operating Expenditure Surplus	mitigation resulting from the cessation of prudential borrowing costs.	0.000	(0.660)	(0.660)
Wholesale Markets Income Pressure	mitigation resulting from the cessation of prudential borrowing costs.	0.000	(0.606)	(0.603)
<b>Highways &amp; Infrastructure :</b>				
Closure of Car Parks	potential mitigations identified, which will be progressed as part of the 2020/21+ budget process.	(0.159)	(0.730)	(0.730)
Local car Parking Income Pressure	potential mitigations identified, which will be progressed as part of the 2020/21+ budget process.	(0.190)	(0.190)	(0.190)
<b>Total</b>		7.021	6.485	6.770

## **Annex 7 Neighbourhoods Directorate**

### **1. Executive Summary**

- 1.1 The Council set the Neighbourhood Directorate a net budget of £99.6m for 2019/20 at its meeting on 26 February 2019. This net budget is after approving a savings programme of £15.0m and requiring a further £3.6m savings to be delivered that were achieved on a one-off basis in 2018/19. Following budget adjustments, including allocations from Policy Contingency, the net budget for the Directorate is now £106.3m
- 1.2 At Period 10 the Neighbourhoods Directorate forecasts that net spend for the year will be £123.1m. This would result in an overspend of £16.8m. The overspend is made up by a Base Budget overspend of £12.2m and Savings non-delivery of £4.6m. The Neighbourhood Directorate is actively pursuing solutions to resolve this position. At period 10 the Neighbourhood Directorate was not able to identify any additional savings.

Table 1: Period 10 Forecast Outturn Position												
Service	Original Budget	Current Budget	Forecast Outturn	Forecast Base Budget Over / (Under)	Forecast Savings Non-delivery	Forecast Over / (Under)	Period 9 Forecast Over / (Under)	Change since Period 9 (Improvement) / Deterioration		Net Future Budget Issues not known when Budget set*		
	£m	£m	£m	£m	£m	£m	£m	£m	%	2020/21	2021/22	2022/23
Street Scene	66.835	67.165	76.677	8.382	1.130	9.512	8.312	1.200	1.79%	8.515	7.090	6.940
Housing Services	3.760	3.525	8.758	4.933	0.300	5.233	4.283	0.950	26.95%	4.900	5.409	5.409
Neighbourhoods Management	15.310	19.858	19.492	(0.966)	0.600	(0.366)	(0.366)	(0.000)	(0.00%)	1.312	0.987	0.962
Regulation & Enforcement	0.315	0.208	1.192	(0.425)	1.409	0.984	0.984	0.000	0.00%	1.786	1.606	1.496
Business Support	13.344	15.550	16.974	0.224	1.200	1.424	1.424	(0.000)	(0.00%)	0.814	0.417	1.105
<b>Total</b>	<b>99.565</b>	<b>106.306</b>	<b>123.093</b>	<b>12.148</b>	<b>4.639</b>	<b>16.787</b>	<b>14.637</b>	<b>2.150</b>	<b>2.02%</b>	<b>17.327</b>	<b>15.509</b>	<b>15.912</b>

\*Details of future budget issues are provided in Table 3

- 1.3 For the Housing Revenue Account (HRA) a balanced overall revenue position is forecast, with any net overspends or underspends to be managed by corresponding adjustments to the level of HRA borrowing repaid, Reserves or any additional contribution to the capital investment programme

### **Key issues identified since Period 9**

- 1.4 The forecast overspend of £16.8m is a deterioration of £2.2m since Period 9

The key changes to Neighbourhood Directorate forecast overspend since period 9 are:

- Street Scene- £1.2m increase in base budget pressures as a result of:
  - Employee costs amounting to £0.7m. Although reductions have been made in the number of agency staff employed by the service, there is an approximate 4 week contractual termination fee as the released agency staff are employed under the terms of the Swedish Derogation in the Agency workers regulation.
  - £0.5m relates to further income pressures within the Trade Waste.
- Housing - £1.0m increase in base budget pressures. A majority of the overspend is associated with the utilisation of Bed & Breakfast (high unit cost) accommodation. Although this was projected to reduce, as mitigations through prevention and an increase in accommodation at a lower unit cost than B&B have been secured, there has in addition been a further adverse variation due to a continued growth in the overall numbers presenting as homeless (a further net increase in January 2020 of 73). In addition the 'Housing Strategic service redesign' saving which was previously identified as 'at risk' will now not be delivered in this financial year. Plans are being developed to deliver this saving in 2020/21.

### **Savings “at risk” that are assumed to be delivered in the Forecast**

- 1.5 There are no savings identified as “at risk” (i.e. amber) that are assumed to be delivered in the forecast.

### Potential Mitigations not yet included in the Forecast

1.6 None for Neighbourhood Directorate

### Risks identified but not yet included in the Forecast

1.7 Table 2 details risks that have been identified, but are **not** yet included in the forecast.

<b>Table 2: Risks</b>							
Risk	probability (H,M,L)	potential financial impact 2019/20 £m	potential financial impact 2020/21 £m	potential financial impact 2021/22 £m	potential financial impact 2022/23 £m	management actions to avoid/minimise risk,	when will outcome be known?
Hazardous Incident addressed by Environmental Services	H	TBC				Final cost of incident currently unknown but will be reported once known.	
Neighbourhood Directorate Wide bad debts provision	H	TBC				The calculation of 2019/20 bad debts provision following IFRS 9 guidelines may result in an increase in the provision required.	
Housing Options	H	TBC				Housing Options is currently projecting an overspend £4.75m. However, if homelessness cases presenting, increase beyond the capacity of housing services, costs may increase further. The service is planning to launch two pilots to test new ways of working as part of the housing redesign model, a prevention hub model and Homeless on the Day approach. However, there have been some delays in its implementation.	
Street Scene	H	TBC				Although reductions have been made in the levels of	



						<p>agency staff employed by the Waste Management Service, there is an approximate 4 week delay in expenditure reductions being reflected in the financials.</p> <p>This time lag is due to the employment model under which agency staff are contracted to be employed by the Service (Swedish Derogation Model). The Service has incurred reduced costs over the lifetime of employing the agency staff, but when these staff are released the Service incurs a contractual termination fee of up to 4 weeks.</p>	
Coroners	M	TBC				<p>There remains a risk from unplanned property repairs needed to the Mortuary and to the main building such as roof repairs, significant repairs to the floor of the main room used for filing purposes and repairs to rectify general wear and tear on the whole building.</p>	
<b>Total</b>							

## Future Years

1.8 Table 3 describes issues that may impact on future years' budgets.

Table 3: Future Year's Issues				
Future year's issue	Description of issue	Issue		
		2020/21	2021/22	2022/23
		£m	£m	£m
<b>Base Budget Pressures</b>				
Waste Management	Vehicle repair and maintenance and hire costs	3.500	3.500	3.500
Housing Options - homelessness	Increase in temporary accommodation costs	3.800	3.800	3.800
Housing Options	Impact of not increasing rents	0.600	0.600	0.600
Waste Management	Decrease in Street Cleaning Income due to decrease in customer base	0.500	0.500	0.500
Waste Management	Additional employee costs for refuse collection service	1.520	0.520	0.520
Waste Management	Demography impacts on Waste Management services	0.500	0.500	0.500
Waste Management	Additional resources for leaf clearance	0.400	0.400	0.400
Waste Management - IT	Waste Management - IT	0.500	0.500	0.500
Regulation and Enforcement - Coroners	Operational service pressures including longer inquests and investigations. Plus the phasing out of TUPE funding from WM Police.	0.400	0.480	0.480
Waste Management - Garage Income	Reduced demand for other City Council Directorates	0.375	0.150	0.000
Parks Pressures	Maintenance of play areas	0.300	0.300	0.300
Environmental Health	Additional staff resources to achieve Food Standards Agency targets	0.300	0.275	0.275
Markets Service	Increased pressure in delivering the budget expectations. The Indoor Market, The Rag Market, Open Market, Perimeter Shops and Subsidiary Markets have all experienced a downturn in operating surplus. Costs escalation from increase in Business rates and increased legal costs to improve recovery of debt.	0.220	0.220	0.110
Regulation and Enforcement - Victoria Square	Loss of income potential due to New Street and Victoria Square being unavailable for events in 2020/21	0.148	0.000	0.000

Table 3: Future Year's Issues				
Future year's issue	Description of issue	Issue		
		2020/21	2021/22	2022/23
		£m	£m	£m
Waste Management Recycled Paper	Commercial rates for recycled paper have reduced sharply compared to the assumptions contained with the budget	0.120	0.120	0.120
Cultural Development	Cyclical repairs and maintenance to Museums	0.100	0.100	0.100
Sport - Moseley Road Baths	Statutory testing and maintenance costs to be incurred as part of a 3 year licence agreed with Moseley Road CIO	0.100	0.075	0.050
Directorate-wide	Support for the development of Business Improvement Districts across the City	0.100	0.100	0.100
Waste Management - Trade Waste Income	Reduction in customer base	0.050	0.050	0.050
Regulation and Enforcement - Centenary Square	Ongoing additional running costs for newly refurbished Centenary Square (new fountain and foliage)	0.025	0.025	0.025
Neighbourhoods - Assets of Community Value	Funding to fulfil the statutory duty of evaluating the suitability of categorising land or property as being an asset of community value	0.025	0.025	0.025
Revenue Implications of Capital Proposals	Revenue Implications of various Capital Schemes	0.014	(0.383)	0.305
<b>Savings non-delivery</b>				
Various savings proposals	Street Scene	0.750	0.550	0.550
Various savings proposals	Neighbourhoods	1.087	0.787	0.787
Disposal/Sale of land and property	Directorate-wide	0.700	0.700	0.700
Bereavement Services	Regulation and Enforcement	0.693	0.606	0.606
Housing Options - Temporary Accommodation	Housing Services	0.500	1.009	1.009
<b>Total</b>		<b>17.327</b>	<b>15.509</b>	<b>15.912</b>

## **Annex 8 Partnerships, Insight and Prevention**

### **1. Executive Summary**

- 1.1 The Council set the Partnerships, Insight and Prevention (PIP) Directorate a net budget of £4.0m for 2019/20 at its meeting on 26 February 2019. This net budget is after approving a savings programme of £0.6m. Following transfers of services from other Directorates as part of the Council's new structure the original net budget of £4.0m is revised to £6.4m. The net current budget for the Directorate is now £6.7m following further in year budget adjustments.
- 1.2 At Period 10 the Partnerships, Insight and Prevention (PIP) Directorate forecasts that net spend for the year will be £6.6m. This would result in an underspend of £0.2m which is a Base Budget underspend.

**Table 1: Period 10 Forecast Outturn Position**

Division of Service	Original Budget	Current Budget	Forecast Outturn	Forecast Base Budget Over/ (Under)	Forecast Savings Non-delivery	Forecast Over/ (Under)	Period 9 Forecast Over/ (Under)	Change since Period 9 (Improvement)/ Deterioration		Net Future Budget Issues not known when Budget set*		
										2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m	£m	£m	£m	%	£m	£m	£m
Communications	1.340	1.338	1.320	(0.018)	0.000	(0.018)	(0.013)	(0.005)	(0.37)	0.150	0.150	0.150
Public Health	0.040	0.117	0.117	0.000	0.000	0.000	0.000	0.000	0.00	0.696	0.662	0.674
Community Safety and Resilience	1.605	1.910	2.112	0.202	0.000	0.202	0.202	0.000	0.00	0.070	0.000	0.000
Asst. Chief Exec	3.458	3.370	3.015	(0.355)	0.000	(0.355)	(0.289)	(0.066)	(1.96)	0.038	0.000	0.000
<b>Directorate Total</b>	<b>6.442</b>	<b>6.735</b>	<b>6.564</b>	<b>(0.171)</b>	<b>0.000</b>	<b>(0.171)</b>	<b>(0.100)</b>	<b>(0.071)</b>	<b>(1.05)</b>	<b>0.954</b>	<b>0.812</b>	<b>0.824</b>

\*Details of future budget issues are provided in Table 2

**Key issues identified since Period 9**

- 1.3 The forecast underspend of £0.2m is an improvement of £0.1m since Period 9 as a result of vacancy management and other minor variations.

**Savings “at risk” that are assumed to be delivered in the Forecast**

- 1.4 There are no savings identified as “at risk” (i.e amber).

**Potential Mitigations not yet included in the Forecast**

- 1.5 There are no base pressures/savings non-delivery that require mitigation.

**Risks identified but not yet included in the Forecast**

- 1.6 There are no risks that have been identified.

**Future Years**

- 1.7 Table 2 describes issues that may impact on future years’ budgets.

Table 2: Future Year's Issues				
Future year's issue	Description of issue	Issue		
		2020/21 £m	2021/22 £m	2022/23 £m
<b>Base Budget Pressures</b>				
PP01	Service review to expand existing team to meet service demand and ensure compliance with Equality Act	0.646	0.662	0.674
PP02	One off funding to enable a software upgrade to systems within the central control centre	0.070	0.000	0.000
PP03	Corporate support to ensure the effective operation of the Strategic Programme Board until July 2020	0.038	0.000	0.000
PP04	Support priority Council communications and strategic marketing campaigns	0.150	0.150	0.150
PP05	Support the Council's revised action plan to address equality and diversity outcomes	0.050	0.000	0.000
<b>Savings non-delivery</b>				
N/A				
<b>Mitigation</b>				
N/A				
<b>Total</b>		0.954	0.812	0.824

## 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 is currently budgeted at £637.4m. It is the primary source of funding that is delegated /allocated to schools and other educational providers for their revenue costs as well as funding certain prescribed centrally managed provision. The funding is shown in Table 1 below. The latest total funding for Birmingham as notified by the Education Skills Funding Agency (ESFA) on the 20<sup>th</sup> November 2019 is £1,188.1m, of which £550.7m is currently recouped by the ESFA to directly passport funds to academies and free schools, leaving £637.4m.
- 1.2 The current DSG budget is £637.4m at period 10 and remains unchanged from period 9.
- 1.2 Period 10 the DSG forecasts that gross spend for the year will be £636.2m, which would result in an underspend of £0.9m. It is expected that any underspend will be appropriated to DSG Grant Reserves.

Table1

	<b>Funding</b>	<b>Less</b>	<b>BCC</b>	<b>Forecast</b>	<b>Over/</b>	<b>Over/</b>
		<b>Recoupment</b>	<b>Funding</b>	<b>Period 10</b>	<b>(Under)</b>	<b>(Under)</b>
					<b>Period 10</b>	<b>Period 9</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Schools Block	918.160	524.035	394.125	394.125	0.000	0.000
High Needs Block	162.103	26.637	135.466	136.796	1.330	1.319
Early Years Block	89.754		89.754	87.571	(2.183)	(2.183)
Central Services Block	18.040		18.040	18.028	(0.012)	0.000
<b>Total</b>	<b>1,188.056</b>	<b>550.671</b>	<b>637.385</b>	<b>636.520</b>	<b>(0.865)</b>	<b>(0.864)</b>

Table 2 sets out the Period 10 forecast out-turn position for 2019/20

<b>Table 2: Period 10 Forecast Outturn Position</b>									
<b>Directorate</b>	<b>Original Budget</b>	<b>Current Budget</b>	<b>Period 10 Forecast Outturn</b>	<b>Forecast Base Budget</b>	<b>Forecast Savings Non-</b>	<b>Forecast Over/ (Under)</b>	<b>Period 9 Forecast Over/</b>	<b>Change since Period 9 (Improvement)/ Deterioration</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
<b>Service</b>									
School Settings / Improvement	1.273	1.273	1.230	(0.043)	0.000	(0.043)	0.000	(0.043)	-3.4%
Admissions	1.434	1.434	1.465	0.032	0.000	0.032	(0.398)	0.429	30.0%
Education Skills & Infrastructure	0.047	0.047	0.047	0.000	0.000	0.000	0.000	0.000	0.0%
Early Years	63.350	63.333	61.150	(2.183)	0.000	(2.183)	(2.212)	0.029	0.0%
Placements, Traveller & Exclusions	1.684	1.484	1.054	(0.430)	0.000	(0.430)	0.000	(0.430)	-25.6%
Schools Delegated Budget	493.668	459.131	459.131	0.000	0.000	0.000	0.572	(0.572)	-0.1%
DHSSchool Funding Central	(653.064)	(626.662)	(626.662)	0.000	0.000	0.000	(0.129)	0.129	0.0%
LACES	1.467	1.467	1.365	(0.102)	0.000	(0.102)	(0.099)	(0.003)	-0.2%
Higher Needs	80.446	88.909	90.832	1.923	0.000	1.923	1.402	0.521	0.6%
Access to Education	5.663	5.663	5.602	(0.061)	0.000	(0.061)	0.000	(0.061)	-1.1%
Complex Needs Care	0.110	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%
Early Support Service	1.673	1.673	1.673	0.000	0.000	0.000	0.000	0.000	0.0%
Early Help&Childrens	0.069	0.069	0.069	0.000	0.000	0.000	0.000	0.000	0.0%
Business Support	2.180	2.180	2.180	0.000	0.000	0.000	0.000	0.000	0.0%
<b>Directorate Total</b>	<b>(0.000)</b>	<b>(0.000)</b>	<b>(0.865)</b>	<b>(0.865)</b>	<b>0.000</b>	<b>(0.865)</b>	<b>(0.863)</b>	<b>(0.001)</b>	<b>0%</b>

### Key issues identified since Period 9

1.4 The key issues that are included within the DSG forecast underspend of £0.9m are:



• **High Needs.**

The level of spend on High Needs is an area of concern, which is a concern nationally. At the end of 2018/19 the gross deficit on High Needs block was £16.0m. A report to Schools Forum on the 19th June recommended the use of £2.7m 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 3 year deficit recovery plan in 2019/20. This will be addressed as part of the additional funding of £26.6mm which was announced in December 2019.

Overall a pressure of £1.3m is currently being forecast for the DSG High Needs Block in line with period 9 and this is analysed over 4 services areas below

High Needs Service Area

The service is currently flagging a potential budget pressure on High Needs Services Area budget of £1.9m in 2019/20, though the final position will be dependent upon:

- Any additional costs resulting from any further placements of high cost pupils in Independent school provision.

This pressure is in addition to the High Need Block deficit of £13.3m referred to in the paragraph above.

The net overspend consists of both pressures and savings in 2019/20 across a number of areas is as follows:

- Special school and academies (including ESN) £1.4m Pressure
- Communication with Autism Teams provision for Children Out Of School £0.1m Pressure
- Resource Bases £0.3m Pressure
- Criteria for Special Provision (£0.13m) Saving
- Colleges/ FE providers Post16 & Post19 £1.4m Pressure
- Independent providers (including tripartite) (£2.2m) Saving
- Early years provision £0.1m Pressure
- Higher than average SEN (£0.1m) Saving
- Alternative Provision initiatives £1.0m Pressure

All of the above budgets are being reviewed monthly to take account of pupil movements and placements in provision.

Within the High Needs block there is a budget for Exclusions amounting to £0.4m in 2019/20, managed by the Head of the Virtual School. We had recently been informed by the Assistant Director of Inclusion and SEND that an overspend of £0.7m was expected in 2019/20 for invoices received to August 2019 from the provider Flexible Learning. Further work has been carried out to estimate the cost of excluded pupil placements (placements at Flexible Learning) for the period September 2019 to March 2020, based on invoices received for the months of September and October 2019. These have been extrapolated to estimate a further cost of £0.3m to the 31<sup>st</sup> March 2020. This is a significant pressure of £1.0m in total and a review of the circumstances and reasons for the overspend is underway.

#### Alternative Provision, Attendance and Independent School's

The service area have identified £0.4m of savings, due to

- Saving of £0.3m due to less than budgeted number of pupils being placed in alternative provision in 2019/20 to date.
- Staff vacancy saving of £0.1m
- Other savings on non-pay budgets of £0.1m

#### Access to Education

Service have identified a £0.1m underspend as a result of staff vacancies and additional income generated.

#### Virtual School (Looked After Children Education Service)

Service have identified a £0.1m underspend as a result of staff vacancies and charging relevant staff time to the Pupil Premium Grant. This is partly offset by the cost of agency cover.

### • Early Years

Currently projecting an overall underspend on the Early Years DSG block of £2.2m and this as arisen in 2 areas detailed below:

#### DSG funding for 3 & 4 Years olds

DSG Funding from the ESFA is received and calculated using:

- 5/12ths of the January 2019 census pupil numbers
- 7/12ths of the January 2020 census pupil numbers

On the basis of funding and costs anticipated we are currently projecting an underspend in for 2019/20 of £2.0m using:

- Actual payment information we have available for Private, Voluntary and Independent provider's (PVI's) (confirmed May 2019 & October 2019)
- Trend data from previous years for PVI's and schools to cover payments to be made in January 2020.
- Trend data from previous years for PVI's and schools to estimate 7/12ths funding (September 2019 to January 2020)

This is being raised as a potential saving at period 9, however we will not be in a position to provide a final projection until the January 2020 census information is available.

#### Disability Access Fund

DAF budget for 2019/20 is £0.4m and current actual spend is £0.1m. Projecting the spend to year end using last year's trend will equate to a total spend in 2019/20 of approx. £0.2m, giving rise to a potential underspend of £0.2m.

#### • **Central School Services Block**

Currently projecting a financial position broadly in line with budget.

#### **Risks identified but not yet included in the Forecast**

##### 1.5 Risks and mitigations identified but not yet included in the forecast

Budget risks that have not yet crystallised and mitigations that are being considered to address these, including financial implications, are:

#### • **Birmingham Community Equipment Loan Service**

A contribution of £0.3m is expected from DSG to support the contract for the equipment loan service. A contribution of around £0.1m towards this may be possible following the restructuring of the Physical Disabilities Support Service held with Access to Education however there is no budget to support the remaining £0.2m.

- **School Deficits.** The Directorate is supporting schools with deficits to either come out of deficit and/or stop them increasing. As at 31<sup>st</sup> March 2019 the net balance on schools was £47.4m, which comprised £59.0m surplus balances and £12.6m deficit balances. 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 currently expecting 15 schools to convert to academy status in the 2019/20 financial year, however this number could vary as a result of academy orders being received and slippage or advancement in expected conversion dates of schools. Of the schools converting a number are projected to have significant deficit balances that will remain with BCC, these are currently projected to amount to approximately £5.9m 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). To date 6 school balances have been confirmed in 2019/20.

The deficit of £5.9m will be covered from the DSG Closing school's contingency of £0.8m and the balance will be met from revenue funding released through application of capital receipts. This will leave a balance of circa £2.9m of capital receipts for future deficits, from 2020/21 onwards, which poses a significant risk.

**Admissions and Appeals.** The service could receive less income approx. £0.1m due to unclear DfE guidance on charging of academies for admission appeals. In light of legal advice we are now raising invoices, however academies may dispute payment of these invoices.

## Future Years

2.1 *Whilst the focus of this report is on the delivery of the 2019/20 budget, the monitoring process allows the opportunity to consider what issues may have been identified which have not been provided for in previous plans.*

2.2 Key future year's issues include.

### High Needs Block

Nationally the gap between allocated high needs funding and local spending to meet demand is forecast to continue to increase. Increases in demand are due to many factors, and include:

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

The level of spend on High Needs is an area of concern, which is a concern nationally. At the end of 2018/19 the net cumulative deficit on High Needs was £15.5m. Latest modelling of pupil pipeline data shows that growth in demand is outstripping available local resources.

The Government have announced additional national funding of circa £700.0m for Special Needs. It has been confirmed in late December that Birmingham will receive additional funding for High Needs of £26.6m. This will contribute positively to addressing the pressures outlined along with the work underway on the transformation and modernisation of SEND provision which is being progressed by the Directorate.

### School Deficit Balances

The Directorate is supporting schools with deficits to either come out of deficit and/or stop them increasing. As at 31/3/2019 the net balance on schools was £47.4m, which comprised £59.0m surplus balances and £12.6m deficit balances. 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.

The Directorate have produced and presented a School Financial Deficit Action Plan to CMT (13<sup>th</sup> May 2019) of the level of financial deficits in schools at the 2018/19 out-turn and outlined the action plan which has been developed to seek to minimise future levels of deficits, to avoid additional financial risk to the Council. A report was also taken to School Forum in June and further reports will be taken to CMT and School Forum on a quarterly basis.

The actions reported to School Forum in June covers a range of measures to strengthen action on deficits through the following:

- Identify a Schools Forum representative to sit on the Schools Finance Governance Board,
- Amend Schools Forums terms of reference to include the City Councils section 151 officer, who provides oversight of financial, statutory and constitutional requirements,
- Receive quarterly reports on the position of individual school budgets and the progress of actions being taken to address school deficits,
- Develop a Birmingham 'clawback' policy of individual surplus school balances, in order to maximise the designated School Budget across the City,
- Complete the DfE's Schools Forum self-assessment toolkit, to determine aspects of good practice and areas for further development,

Progress will be monitored through reporting to CLT and School Forum. The first report was presented to Schools Forum in September and a similar report will be presented to CLT in March / April 2020.

**Annex 10 Housing Revenue Account****1. Housing Revenue Account**

- 1.1 A balanced overall revenue position is forecast, with any net overspends or underspends to be managed by corresponding adjustments to the level of funding of the capital programme from revenue, HRA borrowing repaid or reserves.

Description	Annual		
	Budget	Forecast	Variance
	£m	£m	£m
Expenditure	205.069	207.159	2.090
Income	(274.139)	(275.729)	(1.590)
Below the Line Analysis	69.070	68.570	(0.500)
<b>Net Expenditure</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

- 1.2 There are no material changes to the position reported at Quarter 3
- 1.3 Overall there are sufficient underspends on HRA expenditure to cover current specific pressures where costs have been identified.

**Annex 11 Savings Programme**

Table 2a: Overview of the Forecast Delivery of the 2019/20 Savings Programme- Original Approved Savings									
Directorate	2019/20 Agreed Savings	On Track/ Fully Delivered against Programme	Blue - Fully Delivered	Green-On Track	Amber-At Risk	Red-Non Delivery	Purple- Undeliverable		One off Mitigations to adresss Savings Non-Delivery
	£m	%	£m	£m	£m	£m	£m		£m
Adult Social Care	(14.620)	100.0	(9.270)	(5.350)	0.000	(0.918)	0.000		0.000
Digital & Cust Services	(2.773)	89.5	(1.334)	(1.149)	0.000	0.000	(0.290)		(0.290)
Education & Skills	(8.797)	0.8	0.017	(0.084)	(5.027)	(1.985)	(1.718)		(3.703)
Finance & Governance	(2.301)	71.5	(0.958)	(0.688)	0.000	(0.187)	(0.468)		(0.468)
Human Resources	(0.514)	100.0	(0.514)	0.000	0.000	0.000	0.000		0.000
Inclusive Growth	(2.836)	96.5	(1.246)	(1.490)	0.000	(0.100)	(0.134)		0.000
Neighbourhoods Partnerships, Insight and Prevention	(14.982)	75.3	(6.308)	(4.974)	0.000	(1.077)	(2.623)		(0.170)
	(0.548)	100.0	(0.532)	(0.016)	0.000	0.000	0.000		0.000
<b>Directorate Subtotal</b>	<b>(47.371)</b>	<b>71.6</b>	<b>(20.145)</b>	<b>(13.751)</b>	<b>(5.027)</b>	<b>(4.267)</b>	<b>(5.233)</b>		<b>(4.631)</b>
Corporate Savings	1.180	100.0	1.180	0.000	0.000	0.000	0.000		0.000
<b>Total Programme</b>	<b>(46.191)</b>	<b>70.8</b>	<b>(18.965)</b>	<b>(13.751)</b>	<b>(5.027)</b>	<b>(4.267)</b>	<b>(5.233)</b>		<b>(4.631)</b>

Table 2b: Overview of the Forecast Delivery of the 2019/20 Savings Programme- One Off Savings									
Directorate	2019/20 Agreed Savings	On Track/ Fully Delivered against Programme	Blue - Fully Delivered	Green-On Track	Amber-At Risk	Red-Non Delivery	Purple- Undeliverable		One off Mitigations to adresss Savings Non-Delivery
	£m	%	£m	£m	£m	£m	£m		£m
Adult Social Care	(1.690)	100.0	(1.690)	0.000	0.000	0.000	0.000		0.000
Digital & Cust Services	(4.145)	100.0	(4.145)	0.000	0.000	0.000	0.000		0.000
Education & Skills	0.000	0.0	0.000	0.000	0.000	0.000	0.000		0.000
Finance & Governance	(0.530)	0.0	0.000	0.000	0.000	(0.530)	0.000		(0.030)
Human Resources	(0.204)	100.0	(0.204)	0.000	0.000	0.000	0.000		0.000
Inclusive Growth	(1.934)	27.5	(0.211)	(0.320)	0.000	(0.694)	(0.709)		0.000
Neighbourhoods Partnerships, Insight and Prevention	(3.582)	57.3	(0.700)	(1.354)	0.000	(0.409)	(1.119)		(0.419)
	0.000	0.0	0.000	0.000	0.000	0.000	0.000		0.000
<b>Directorate Subtotal</b>	<b>(12.085)</b>	<b>71.4</b>	<b>(6.950)</b>	<b>(1.674)</b>	<b>0.000</b>	<b>(1.633)</b>	<b>(1.828)</b>		<b>(0.449)</b>
Corporate Savings	0.000	0.0	0.000	0.000	0.000	0.000	0.000		0.000
<b>Total Programme</b>	<b>(12.085)</b>	<b>71.4</b>	<b>(6.950)</b>	<b>(1.674)</b>	<b>0.000</b>	<b>(1.633)</b>	<b>(1.828)</b>		<b>(0.449)</b>



**Annex 12 Movement in Directorate Budgets Since Period 9**

<b>Movements in Directorate Budgets from Period 9 to Period 10</b>	
	<b>£m</b>
Directorate Current Net Budget at Period 9	873.545
Directorate Current Net Budget at Period 10	873.024
<b>Movements</b>	<b>(0.521)</b>
<b>Detailed Movements in Directorate Budgets from Period 9 to Period 10</b>	
	<b>£m</b>
<b>Borrowing from Invest to Save Reserve</b>	
Reversal of Temporary Reduction in Borrowing from Invest to Save Reserve to fund new ERP system	1.016
<b>General Policy Contingency Allocations from Invest to Improve Fund</b>	
Funding for Route to Zero (R20)	0.109
Funding for Transformation Finance Officer	0.073
<b>Contributions to Reserves</b>	
Contribution to Commonwealth Games Reserve	(2.000)
<b>Other</b>	
Revenue benefits from disposal transferred to Directorates	0.256
Use of Capital Fund to fund NEC Film Studio	0.024
<b>Grand Total</b>	<b>(0.521)</b>



**CORPORATE CAPITAL BUDGET  
MONITORING REPORT 2019/20  
MONTH 10**

**(year to 31<sup>st</sup> January 2020)**

## **Appendix B**

### **Section**

- 1. Executive Summary**
- 2. New Resources / (Reductions)**
- 3. Forecast Variations, Risks & Issues**
- 4. Forecast Slippage**
- 5. Forecast overspends and underspends**
- 6. Funding of planned investments in InReach**

### **Appendices**

- B1. Capital Monitoring Summary**
- B2. Capital Budget Movements**
- B3. Capital Budget Movements Commentary**
- B4. Capital Forecast Variations**
- B5. Capital Forecast Variations Commentary**
- B6. Commentary on Risks and Issues**

## 1. Executive Summary

1.1. Cabinet approved a revised Quarter 2 Capital Programme of £ 3,547.420m at its meeting on 29 October 2019.

## 2. New Resources / (Reductions)

2.1. Net resources totalling £124.019m have added during Month 10 resulting in a revised Capital Programme of £3,500.948m. This is set out in Table 1 below with further details available in Appendix B2 and B3.

**Table 1 – New Resources / (Reductions)**

<u>Expenditure</u>	2019/20 £m	2020/21 £m	2021/22 £m	Later Years £m	Total Plan £m
Month 9 Approved Budget	636.158	591.396	415.325	1,734.049	3,376.929
Budget Changes - New Resources / (Reductions)	0.000	29.529	33.877	60.613	124.019
Budget Changes - Rephasing Approved by Cabinet	0.000	0.000	0.000	0.000	0.000
<b>Budget Month 10</b>	<b>636.158</b>	<b>620.925</b>	<b>449.202</b>	<b>1,794.662</b>	<b>3,500.948</b>

## 3. Forecast Variations, Risks & Issues

3.1. At Month 10 net slippage of £134.358m has been identified together with a net £0.690m overspend against the 2019/20 current year budget. A net overspend of £59.655m is forecast against the overall Capital Programme resulting in a forecast outturn of £3,560.603m. This is set out in Tables 2, 3 and 4 below with further details available in Appendix B4 and B5.

**Table 2 – Forecast Variations Summary**

<u>Expenditure</u>	2019/20 £m	2020/21 £m	2021/22 £m	Later Years £m	Total Plan £m
Forecast Slippage Month 10	(134.358)	93.419	22.174	18.765	(0.000)
Forecast Overspend / (Underspend) Month 10	0.690	(4.253)	10.528	52.690	59.655
<b>Forecast Outturn at Month 10</b>	<b>502.490</b>	<b>710.091</b>	<b>481.904</b>	<b>1,866.118</b>	<b>3,560.603</b>

## 4. Forecast slippage

4.1. A thorough review of the annual phasing of the approved capital programme has taken place at Month 10. This has identified a more realistic profile of capital expenditure resulting in overall slippage out of 2019/20 of £134.358m into later years. The revised profile has been used as the basis for profiling the capital budgets in the Financial Plan 2020+ (elsewhere on Cabinet's agenda).

4.2.

**Table 3 - Forecast Net Slippage by Directorate**

Directorate	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	Later Years (£m)	Total Net Slippage (£m)
Finance & Governance	(1.909)	(11.671)	0.500	13.080	0.000
Digital & Customer Services	(6.363)	1.532	4.831	0.000	0.000
Assistant Chief Executive	0.000	0.000	0.000	0.000	0.000
Neighbourhoods	(31.877)	19.333	3.303	9.241	0.000
Commonwealth Games 2022	(4.025)	8.093	(4.068)	0.000	0.000
Inclusive Growth	(84.206)	74.033	17.570	(7.396)	0.000
Education & Skills	(8.285)	4.407	0.037	3.841	0.000
Adults Social Care	2.308	(2.308)	0.000	0.000	0.000
<b>Total</b>	<b>(134.358)</b>	<b>93.419</b>	<b>22.174</b>	<b>18.766</b>	<b>0.000</b>

**4.3. Finance & Governance Directorate**

The Directorate is currently reporting net slippage of £1.909m in 2019/20. This primarily relates to acceleration of resources required to fund the revised redundancy and Pension Fund Strain costs (£11.407m) and slippage associated with the Gateway/Grands Central Residual Costs programme (£12.600m) as a result of prolonged negotiations between the relevant third parties.

**4.4. Digital & Customer Services Directorate**

The Directorate is currently reporting slippage of £6.363m in 2019/20. This is due to delays in obtaining amendments to the final design and procurement of Data Centre and Cloud Storage provision schemes within the Application Platform Modernisation Programme.

**4.5. Neighbourhoods Directorate**

The Directorate is currently reporting net slippage of £31.877m in 2019/20. This primarily relates to delays in seeking alternative fuels for waste vehicles in order to comply with the Clean Air Policy (CAP) (£8.800m), delays in purchasing CAP compliant Parks grounds maintenance vehicles (£9.400m), slippage in the HRA Redevelopment programme (£9.289m) due to delays in achieving planning and tendering approvals at various locations and delays in making a loan to Performance Birmingham Ltd as they look to secure alternative sources of funding (£3.000m).

**4.6. Commonwealth Games 2022**

The Directorate is currently reporting net slippage of £4.025m in 2019/20. This relates to acceleration of works associated with the Alexander Stadium (£2.189m) and slippage in the Organising Committee programme (£6.214m).

#### **4.7. Inclusive Growth Directorate**

The Directorate is currently reporting net slippage of £84.206m in 2019/20. This primarily relates to the following;

- Slippage associated with various Enterprise Zone development programmes totalling £12.665m, the most significant being Paradise Circus (£8.765m).
- Slippage across various Transport Connectivity programmes totalling £68.066m, the most significant being the Clean Air Zone programme where £37.958m has been slipped due to delays in developing the infrastructure required to deliver the programme and the Clean Air Hydrogen Bus programme where £7.596m has been slipped as a result of the manufacturer going into administration.

#### **4.8. Education & Skills Directorate**

The Directorate is currently reporting net slippage of £8.285m in 2019/20. This primarily relates to delays in providing school Asbestos Management Surveys (£1.000m), school academisation (£0.900m) and delays in relocating Skilts School (£5.000m).

#### **4.9. Adults Social Care Directorate**

The Directorate is currently reporting net acceleration of £2.308m in 2019/20. This primarily relates to an additional requirement for £3.000m to address a progression of backlog cases from 2018/19 which were held up due to a legal challenge. In addition there has been an increase in the number of referrals resulting in higher expenditure than previously expected.

### **5. Forecast overspends and underspends**

#### **5.1.**

**Table 4 - Forecast Variations by Directorate**

Directorate	Total Capital Programme (£m)	Forecast Outturn - Month 10 (£m)	Forecast Variation - Month 10 (£m)	Forecast Variation - Month 9 (£m)	Forecast Variation Change (£m)
Finance & Governance	148.574	148.099	(0.475)	(0.475)	0.000
Digital & Customer Services	21.856	21.856	0.000	0.000	0.000
Assistant Chief Executive	1.000	1.000	0.000	0.000	0.000
Neighbourhoods	1,231.530	1,296.733	65.203	65.203	0.000
Commonwealth Games 2022	610.637	610.637	0.000	0.000	0.000
Inclusive Growth	1,300.337	1,295.126	(5.211)	(7.741)	2.530
Education & Skills	162.856	162.993	0.137	0.137	0.000
Adults Social Care	24.158	24.158	0.000	0.000	0.000
<b>Total</b>	<b>3,500.948</b>	<b>3,560.602</b>	<b>59.655</b>	<b>57.125</b>	<b>2.530</b>

## **5.2. Finance & Governance Directorate**

The Directorate is currently reporting a net forecast underspend of £0.475m. This relates to an allocation from the Capital Contingency to fund £400k of safety works at the Wholesale Markets and £0.075m for A38 tunnel waterproofing works.

There are currently no major risks or issues.

## **5.3. Neighbourhoods Directorate**

The Directorate is currently reporting a net forecast overspend of £65.203m. This primarily relates to a forecast increase of £64.065m against the current Housing Revenue Account (HRA) new build programme (see Appendix B5, N3, N4 and N5).

Major Risks and issues include the following;

- A financial risk of approximately £28.000m has been identified to address measures recommended from the Hackett Review as Fire Precautions for High Rise Blocks. The proposed programme anticipates that £14.000m is required for the current year with the balance to be spent in future years. This will need to be contained within HRA financial resources.
- There is financial risk to HRA Adaptations due to a significant backlog of adult referral cases. Both Neighbourhoods and Adults Social Care are working together to address the operation and financial issues through a comprehensive implementation plan alongside a financial mitigation plan.

## **5.4. Inclusive Growth Directorate**

The Directorate is currently reporting a net forecast underspend of £5.211m. This primarily relates to a £9.923m reduction in Enterprise Zone capitalised interest charges following a review of the timing of the programme (see Appendix B5, IG4) and a forecast overspend of £3.111m against the Transportation and Highways Programme, a result of adjusting the programme to reflect the revised Transportation and Highways Capital Programme 2020-21 to 2025-26.

Risks and issues include the following;

- The Hydrogen Bus manufacturer went into administration in September, the sale of the company to the new buyer is pending the final legal arrangements of the transaction. TfL need to formally confirm whether novation is taking place or whether the framework is to be re-tendered. In addition, the Bus Consortium (of which BCC is a part) also need to then confirm that the EU funder will continue to provide funding



given the date of the bus orders will have over-run from set deadline of 30th Nov 2019. Other funders who include OLEV and GBSLEP have confirmed that their funding remains in place, but will need to be updated with the agreed timeline. All of the milestones need to be achieved by the end of December to ensure the forecasted expenditure for 2019-20 is achieved.

#### **5.5. Education & Skills Directorate**

The Directorate are currently reporting a minor net overspend of £0.137m.

Some schools have/are in the process of converting to Academies but have significant deficits that are required to be funded by the local authority. A funding switch utilising capital resources has been identified to fund known costs, but any further increases would in the first instance be a revenue pressure.

### **6 Funding of planned investments in InReach**

- 6.1 Cabinet on 18 October 2016 agreed to make loan investments in InReach, its wholly owned housing company, to fund housing development on four sites including the Brasshouse and in Key Hill. These investment proposals are being finalised, and it is now proposed that up to 20% of the investment should be made by way of shares in InReach rather than loans, in order to maintain a commercially balanced financial structure for the company.



## Capital Monitoring Summary

## Appendix B1

### Expenditure

	2019/20 £m	2020/21 £m	2021/22 £m	Later Years £m	Total Plan £m
Month 9 Approved Budget	636.158	591.396	415.325	1,734.049	3,376.929
Budget Changes - New Resources / (Reductions)	0.000	29.529	33.877	60.613	124.019
Budget Changes - Rephasing Approved by Cabinet	0.000	0.000	0.000	0.000	0.000
<b>Budget Month 10</b>	<b>636.158</b>	<b>620.925</b>	<b>449.202</b>	<b>1,794.662</b>	<b>3,500.948</b>
Forecast Slippage Month 10	(134.358)	93.419	22.174	18.765	(0.000)
Forecast Overspend / (Underspend) Month 10	0.690	(4.253)	10.528	52.690	59.655
<b>Forecast Outturn at Month 10</b>	<b>502.490</b>	<b>710.091</b>	<b>481.904</b>	<b>1,866.118</b>	<b>3,560.603</b>

### Resources

#### **Use of Specific Resources:**

Grants & Contributions	249.169	201.606	143.492	113.513	707.779
Earmarked Capital Receipts - RTB & Revenue Reform	58.163	55.017	34.296	185.883	333.359
Revenue Contributions - Departmental	11.810	22.365	24.209	28.856	87.240
Revenue Contributions - HRA	53.339	54.747	62.623	541.673	712.382

#### **Use of Corporate or General Resources:**

Corporate Resources	7.027	12.400	1.756	0.434	21.616
Prudential Borrowing	122.982	363.956	215.529	995.759	1,698.226

#### **Forecast Use of Resources**

<b>502.490</b>	<b>710.091</b>	<b>481.904</b>	<b>1,866.118</b>	<b>3,560.602</b>
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Budget Movements						
Ref.	Current Year			All Years		
	Previous Budget £m	Current Budget £m	Change £m	Previous Budget £m	Current Budget £m	Change £m
<b>ADULT SOCIAL CARE DIRECTORATE</b>						
<b>Adult Care &amp; Health</b>						
Property Schemes	0.731	0.731	0.000	1.208	1.208	0.000
Adults IT	1.020	1.020	0.000	1.266	1.266	0.000
Improvements To Social Care Delivery	0.000	0.000	0.000	0.000	0.000	0.000
Independent Living	10.278	10.278	0.000	21.685	21.685	0.000
<b>Total Adult Social Care Directorate</b>	<b>12.029</b>	<b>12.029</b>	<b>0.000</b>	<b>24.158</b>	<b>24.158</b>	<b>0.000</b>
<b>EDUCATION AND SKILLS DIRECTORATE</b>						
<b>Education &amp; Early Years</b>						
Devolved Capital Allocation to Schools	3.379	3.379	0.000	7.496	7.496	0.000
School Condition Allocations	16.103	16.103	0.000	17.703	25.253	7.550
Basic Need - Additional School Places	50.301	50.301	0.000	120.249	120.249	0.000
Other Minor Schemes - Schools	0.013	0.013	0.000	0.013	0.013	0.000
EarlyYrs&Childcare	1.057	1.057	0.000	1.057	1.057	0.000
IT Investment	1.818	1.818	0.000	2.927	2.927	0.000
S106 Woodlinton Road	0.252	0.252	0.000	0.252	0.252	0.000
<b>Total Education &amp; Early Years</b>	<b>72.924</b>	<b>72.924</b>	<b>0.000</b>	<b>149.698</b>	<b>157.248</b>	<b>7.550</b>
<b>Skills &amp; Employability</b>						
Adult Ed & Youth	1.141	1.141	0.000	1.141	1.141	0.000
Birmingham Libraries	0.907	0.907	0.000	4.467	4.467	0.000
<b>Total Skills &amp; Employability</b>	<b>2.048</b>	<b>2.048</b>	<b>0.000</b>	<b>5.608</b>	<b>5.608</b>	<b>0.000</b>
<b>Total Education and Skills Directorate</b>	<b>74.971</b>	<b>74.971</b>	<b>0.000</b>	<b>155.306</b>	<b>162.856</b>	<b>7.550</b>
<b>NEIGHBOURHOODS DIRECTORATE</b>						
<b>Street Scene</b>						
Waste Management Services	11.876	11.876	0.000	58.967	82.907	23.940
Parks & Nature Conservation	17.001	17.001	0.000	20.592	20.662	0.070
<b>Total Street Scene</b>	<b>28.877</b>	<b>28.877</b>	<b>0.000</b>	<b>79.559</b>	<b>103.569</b>	<b>24.010</b>
<b>Housing Services</b>						
Housing Options Service	0.284	0.284	0.000	2.604	2.604	0.000
Private Sector Housing	0.685	0.685	0.000	1.986	1.986	0.000
<b>Housing Revenue Account</b>						
Housing Improvement Programme	71.016	71.016	0.000	653.634	653.634	0.000
Redevelopment	38.243	38.243	0.000	401.659	401.659	0.000
Other Programmes	5.462	5.462	0.000	57.129	57.129	0.000
<b>Total Housing Revenue Account</b>	<b>114.721</b>	<b>114.721</b>	<b>0.000</b>	<b>1,112.422</b>	<b>1,112.422</b>	<b>0.000</b>
<b>Total Housing Services</b>	<b>115.690</b>	<b>115.690</b>	<b>0.000</b>	<b>1,117.012</b>	<b>1,117.012</b>	<b>0.000</b>
<b>Neighbourhoods</b>						
Community, Sport & Events	2.487	2.487	0.000	2.487	5.487	3.000
Neighbourhoods	0.002	0.002	0.000	0.002	0.002	0.000
Cultural Development	3.076	3.076	0.000	3.076	4.076	1.000
<b>Total Neighbourhoods</b>	<b>5.565</b>	<b>5.565</b>	<b>0.000</b>	<b>5.565</b>	<b>9.565</b>	<b>4.000</b>
<b>Regulation &amp; Enforcement</b>						
Bereavement	0.095	0.095	0.000	0.095	0.095	0.000
Markets Services	0.244	0.244	0.000	1.003	1.003	0.000
Environmental Health	0.009	0.009	0.000	0.009	0.009	0.000
Mortuary/Coroners	0.278	0.278	0.000	0.278	0.278	0.000
Illegal Money Lending	0.000	0.000	0.000	0.000	0.000	0.000
<b>Total Regulation &amp; Enforcement</b>	<b>0.626</b>	<b>0.626</b>	<b>0.000</b>	<b>1.385</b>	<b>1.385</b>	<b>0.000</b>
<b>Total Neighbourhoods Directorate</b>	<b>150.758</b>	<b>150.758</b>	<b>0.000</b>	<b>1,203.520</b>	<b>1,231.530</b>	<b>28.010</b>
<b>INCLUSIVE GROWTH DIRECTORATE</b>						
<b>Planning &amp; Development</b>						
<b>Major Projects</b>						
Enterprise Zone - Paradise Circus	32.978	32.978	0.000	63.219	63.219	0.000
Enterprise Zone - Site Development & Access	2.500	2.500	0.000	2.500	2.500	0.000
Enterprise Zone - Connecting Economic Opportunities	1.115	1.115	0.000	139.707	139.707	0.000
Enterprise Zone - Southern Gateway Site	0.450	0.450	0.000	150.450	150.450	0.000
Enterprise Zone - Southside Public Realm	0.000	0.000	0.000	9.060	9.060	0.000
Enterprise Zone - LEP Investment Fund	0.000	0.000	0.000	20.000	20.000	0.000
Enterprise Zone - HS2-Interchange Site	0.000	0.000	0.000	20.000	20.000	0.000
EZ Phase II - HS2 Station Environment	2.438	2.438	0.000	59.410	59.410	0.000
EZ Phase II - HS2 Site Enabling	1.500	1.500	0.000	101.500	101.500	0.000
EZ Phase II - Local Transport Improvements	0.000	0.000	0.000	104.800	104.800	0.000
EZ Phase II - Metro Extension to E Bham/Solihull	0.000	0.000	0.000	183.300	183.300	0.000
EZ Phase II - Social Infrastructure	0.000	0.000	0.000	0.000	0.000	0.000
EZ Capitalised Interest	3.960	3.960	0.000	31.790	31.790	0.000
Jewellery Quarter Cemetary	1.295	1.295	0.000	1.798	1.798	0.000
Unlocking Housing Sites	5.554	5.554	0.000	5.554	5.554	0.000
Life Sciences	0.000	0.000	0.000	0.973	0.973	0.000

Ref.	Budget Movements					
	Current Year			All Years		
	Previous Budget £m	Current Budget £m	Change £m	Previous Budget £m	Current Budget £m	Change £m
Other (Major Projects)	0.263	0.263	0.000	0.263	0.263	0.000
<b>Total Major Projects</b>	<b>52.053</b>	<b>52.053</b>	<b>0.000</b>	<b>894.323</b>	<b>894.323</b>	<b>0.000</b>
<b>Employment &amp; Skills</b>	<b>2.171</b>	<b>2.171</b>	<b>0.000</b>	<b>6.723</b>	<b>6.723</b>	<b>0.000</b>
<b>Public Realm</b>	<b>4.339</b>	<b>4.339</b>	<b>0.000</b>	<b>4.339</b>	<b>4.339</b>	<b>0.000</b>
<b>Infrastructure/Site Enabling Programme</b>	<b>0.319</b>	<b>0.319</b>	<b>0.000</b>	<b>0.319</b>	<b>0.319</b>	<b>0.000</b>
<b>Grants/Loans Programme</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>1.000</b>	<b>1.000</b>	<b>0.000</b>
<b>Total Planning &amp; Development</b>	<b>58.882</b>	<b>58.882</b>	<b>0.000</b>	<b>906.704</b>	<b>906.704</b>	<b>0.000</b>
<b><u>Housing Development</u></b>						
In Reach	0.085	0.085	0.000	51.075	51.075	0.000
CWG-Sale To In Reach	0.000	0.000	0.000	0.000	0.000	0.000
<b>Total Housing Development</b>	<b>0.085</b>	<b>0.085</b>	<b>0.000</b>	<b>51.075</b>	<b>51.075</b>	<b>0.000</b>
<b><u>Transport Connectivity</u></b>						
<b>Major Schemes</b>						
Ashted Circus	0.730	0.730	0.000	0.730	0.730	0.000
Metro Extension	0.150	0.150	0.000	4.724	4.724	0.000
Iron Lane	4.207	4.207	0.000	10.216	10.216	0.000
Minworth Unlocking	0.000	0.000	0.000	0.000	0.000	0.000
Battery Way Extension	2.015	2.015	0.000	2.158	2.158	0.000
Longbridge Connectivity	0.336	0.336	0.000	0.336	0.336	0.000
A457 Dudley Road	0.955	0.955	0.000	28.898	28.898	0.000
Journey Reliability	0.674	0.674	0.000	0.774	0.774	0.000
Tame Valley Phase 2 & 3	2.097	2.097	0.000	87.805	87.805	0.000
Selly Oak New Road Phase 1B	6.000	6.000	0.000	7.312	7.312	0.000
Wharfdale Bridge	2.542	2.542	0.000	2.695	2.695	0.000
Snow Hill Station	4.268	4.268	0.000	7.308	7.308	0.000
Other (Major Schemes)	2.828	2.828	0.000	4.778	4.778	0.000
<b>Total Major Schemes</b>	<b>26.803</b>	<b>26.803</b>	<b>0.000</b>	<b>157.735</b>	<b>157.735</b>	<b>0.000</b>
Inclusive & Sustainable Growth	60.552	60.552	0.000	68.245	89.113	20.867
Walking & Cycling	9.203	9.203	0.000	13.201	13.201	0.000
Local Measure	0.000	0.000	0.000	0.000	0.000	0.000
Infrastructure Dev	0.725	0.725	0.000	1.294	1.294	0.000
Transportation & highways Funding Strategy	0.000	0.000	0.000	13.013	13.013	0.000
Section 278/S106	0.012	0.012	0.000	0.012	0.012	0.000
<b>Total Transport Connectivity</b>	<b>97.296</b>	<b>97.296</b>	<b>0.000</b>	<b>253.500</b>	<b>274.368</b>	<b>20.867</b>
<b><u>Highways Infrastructure</u></b>						
Safer Routes to Schools	0.669	0.669	0.000	1.869	2.169	0.300
Network Integrity and Efficiency	1.572	1.572	0.000	3.572	4.072	0.500
S106 & S278 Schemes	0.069	0.069	0.000	0.069	0.069	0.000
Road Safety	0.854	0.854	0.000	4.279	3.479	(0.800)
District Schemes	0.748	0.748	0.000	0.748	0.748	0.000
<b>Total Highways Infrastructure</b>	<b>3.911</b>	<b>3.911</b>	<b>0.000</b>	<b>10.536</b>	<b>10.536</b>	<b>0.000</b>
<b><u>Property Services</u></b>						
Attwood Green Parks	0.059	0.059	0.000	0.059	0.059	0.000
AttwoodGreen-Holloway Head Playing Field	0.038	0.038	0.000	0.038	0.038	0.000
Attwood Green-Woodview Community Centre	0.090	0.090	0.000	0.090	0.090	0.000
Council House Major Works	0.000	0.000	0.000	0.000	0.000	0.000
Bham Crisis Centre-Nursery Extension	0.005	0.005	0.000	0.005	0.005	0.000
Lee Bank Business Centre	0.000	0.000	0.000	0.000	0.000	0.000
Highbury Hall Essential Works	0.463	0.463	0.000	2.463	2.463	0.000
Property Strategy	9.500	9.500	0.000	55.000	55.000	0.000
<b>Total Property Services</b>	<b>10.153</b>	<b>10.153</b>	<b>0.000</b>	<b>57.653</b>	<b>57.653</b>	<b>0.000</b>
<b>Total Inclusive Growth Directorate</b>	<b>170.327</b>	<b>170.327</b>	<b>0.000</b>	<b>1,279.469</b>	<b>1,300.337</b>	<b>20.867</b>
<b><u>DIGITAL &amp; CUSTOMER SERVICES DIRECTORATE</u></b>						
ICT & Digital	13.640	13.640	0.000	20.885	21.856	0.971
<b>Total Digital &amp; Customer Services Directorate</b>	<b>13.640</b>	<b>13.640</b>	<b>0.000</b>	<b>20.885</b>	<b>21.856</b>	<b>0.971</b>
<b><u>FINANCE &amp; GOVERNANCE DIRECTORATE</u></b>						
<b><u>Development &amp; Commercial</u></b>						
Gateway/Grand Central Residual Costs	12.800	12.800	0.000	18.564	18.564	0.000
Capital Loans & Equity	1.000	1.000	0.000	3.242	3.242	0.000
<b>Total Development &amp; Commercial</b>	<b>13.800</b>	<b>13.800</b>	<b>0.000</b>	<b>21.806</b>	<b>21.806</b>	<b>0.000</b>
<b><u>Corporately Held Funds</u></b>						
Revenue Reform Projects	14.547	14.547	0.000	31.016	31.016	0.000
Corporate Capital Contingency	5.000	5.000	0.000	25.392	91.763	66.371
<b>Total Corporately Held Funds</b>	<b>19.547</b>	<b>19.547</b>	<b>0.000</b>	<b>56.408</b>	<b>122.779</b>	<b>66.371</b>

Ref.	Budget Movements					
	Current Year			All Years		
	Previous Budget £m	Current Budget £m	Change £m	Previous Budget £m	Current Budget £m	Change £m
SAP Investments	0.414	0.414	0.000	3.989	3.989	0.000
<b>Total Finance &amp; Governance Directorate</b>	<b>33.761</b>	<b>33.761</b>	<b>0.000</b>	<b>82.203</b>	<b>148.574</b>	<b>66.371</b>
<b>ASSISTANT CHIEF EXECUTIVE DIRECTORATE</b>						
Public Health	0.750	0.750	0.000	0.750	1.000	0.250
<b>Total Assistant Chief Executive Directorate</b>	<b>0.750</b>	<b>0.750</b>	<b>0.000</b>	<b>0.750</b>	<b>1.000</b>	<b>0.250</b>
<b>COMMONWEALTH GAMES 2022</b>						
CWG Village	164.926	164.926	0.000	466.587	466.587	0.000
CWG Alexander Stadium	2.187	2.187	0.000	70.806	70.806	0.000
CWG Organising Cttee	12.809	12.809	0.000	73.244	73.244	0.000
<b>Total Commonwealth Games 2022</b>	<b>179.922</b>	<b>179.922</b>	<b>0.000</b>	<b>610.637</b>	<b>610.637</b>	<b>0.000</b>
<b>Total Capital Programme</b>	<b>636.158</b>	<b>636.158</b>	<b>0.000</b>	<b>3,376.928</b>	<b>3,500.948</b>	<b>124.019</b>

EDUCATION AND SKILLS DIRECTORATE				
Ref.	Project/Programme	Comments	2019/20 Increase (Decrease) £m	All Years Increase /(Decrease) £m
ES1	School Condition Allocations	The budget increase of £7.55m relates to a successful capital bid for Corporate Resources towards the Schools Condition budget to address Structural Defects.	0.000	7.550

NEIGHBOURHOODS DIRECTORATE				
Ref.	Project/Programme	Comments	2019/20 Increase (Decrease) £m	All Years Increase /(Decrease) £m
N1	Waste Management Services	The budget increase of £23.940m relates to the fleet replacement strategy, a new proposal submitted as part of the 2020/21+ budget setting process.	0.000	23.940
N2	Community, Sport & Events	The budget increase of £3.000m relates to the refurbishment of Moseley Road Baths, a new proposal submitted as part of the 2020/21+ budget setting process.	0.000	3.000
N3	Cultural Development	The budget increase of £1.000m relates to two schemes; (1) £0.750m for the development of the Museums Collection Centre and (2) £0.250m for Museums Repairs & Refurbishment. Both schemes are new proposals submitted as part of the 2020/21+ budget setting process.	0.000	1.000

INCLUSIVE GROWTH DIRECTORATE				
Ref.	Project/Programme	Comments	2019/20 Increase (Decrease) £m	All Years Increase /(Decrease) £m
IG1	Inclusive & Sustainable Growth	The budget increase of £20.867m relates to the renewal of Victoria Square and City Centre Public Realm, a new proposal submitted as part of the 2020/21+ budget setting process.	0.000	20.867

DIGITAL & CUSTOMER SERVICES DIRECTORATE				
Ref.	Project/Programme	Comments	2019/20 Increase (Decrease) £m	All Years Increase /(Decrease) £m
DCS1	ICT & Digital	The budget increase of £0.971m relates to Phase 3 of the BRUM Account, a new proposal submitted as part of the 2020/21+ budget setting process.	0.000	0.971

FINANCE & GOVERNANCE DIRECTORATE				
Ref.	Project/Programme	Comments	2019/20 Increase (Decrease) £m	All Years Increase /(Decrease) £m
FG1	Corporate Capital Contingency	The budget increase of £66.371m relates to two schemes; (1) £41.309m for the Modernisation Fund and (2) £25.062m for Corporate Contingency additions. Both schemes are new proposals submitted as part of the 2020/21+ budget setting process.	0.000	66.371

Forecast Variations											
Ref.	Current Year						All Years				
	Current Budget £m	Current Actuals £m	Forecast £m	Variation £m	Previous Variation £m	Change £m	Current Budget £m	Forecast £m	Variation £m	Previous Variation £m	Change £m
<b>ADULT SOCIAL CARE DIRECTORATE</b>											
<b>Adult Care &amp; Health</b>											
AC1 ●	Property Schemes	0.731	0.579	0.731	0.000	0.000	1.208	1.208	0.000	0.000	0.000
	Adults IT	1.020	0.070	0.327	(0.692)	(0.692)	1.266	1.266	0.000	0.000	0.000
	Improvements To Social Care Delivery	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Independent Living	10.278	10.330	13.278	3.000	3.000	21.685	21.685	0.000	0.000	0.000
	<b>Total Adult Social Care Directorate</b>	<b>12.029</b>	<b>10.978</b>	<b>14.336</b>	<b>2.308</b>	<b>2.308</b>	<b>24.158</b>	<b>24.158</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>EDUCATION AND SKILLS DIRECTORATE</b>											
<b>Education &amp; Early Years</b>											
ES1 ●	Devolved Capital Allocation to Schools	3.379	2.692	3.379	0.000	0.000	7.496	7.496	0.000	0.000	0.000
	School Condition Allocations	16.103	6.852	14.203	(1.900)	(1.900)	25.253	25.253	0.000	0.000	0.000
ES2 ●	Basic Need - Additional School Places	50.301	37.704	45.301	(5.000)	(5.000)	120.249	120.249	0.000	0.000	0.000
	Other Minor Schemes - Schools	0.013	0.000	0.013	0.000	0.000	0.013	0.013	0.000	0.000	0.000
	EarlyYrs&Childcare	1.057	0.777	1.057	0.000	0.000	1.057	1.057	0.000	0.000	0.000
	IT Investment	1.818	1.132	1.818	0.000	0.000	2.927	2.927	0.000	0.000	0.000
	S106 Woodlinton Road	0.252	0.409	0.409	0.157	0.157	0.252	0.409	0.157	0.157	0.000
	<b>Total Education &amp; Early Years</b>	<b>72.924</b>	<b>49.567</b>	<b>66.181</b>	<b>(6.743)</b>	<b>(6.743)</b>	<b>157.248</b>	<b>157.405</b>	<b>0.157</b>	<b>0.157</b>	<b>0.000</b>
<b>Skills &amp; Employability</b>											
	Adult Ed & Youth	1.141	0.297	0.300	(0.841)	(0.841)	1.141	1.141	0.000	0.000	0.000
	Birmingham Libraries	0.907	0.198	0.342	(0.564)	(0.564)	4.467	4.447	(0.020)	(0.020)	0.000
	<b>Total Skills &amp; Employability</b>	<b>2.048</b>	<b>0.495</b>	<b>0.642</b>	<b>(1.405)</b>	<b>(1.405)</b>	<b>5.608</b>	<b>5.588</b>	<b>(0.020)</b>	<b>(0.020)</b>	<b>0.000</b>
	<b>Total Education and Skills Directorate</b>	<b>74.971</b>	<b>50.062</b>	<b>66.823</b>	<b>(8.148)</b>	<b>(8.148)</b>	<b>162.856</b>	<b>162.993</b>	<b>0.137</b>	<b>0.137</b>	<b>0.000</b>
<b>NEIGHBOURHOODS DIRECTORATE</b>											
<b>Street Scene</b>											
N1 ●	Waste Management Services	11.876	2.168	2.825	(9.051)	(9.051)	82.907	82.907	0.000	0.000	0.000
N2 ●	Parks & Nature Conservation	17.001	5.562	6.971	(10.030)	(10.030)	20.662	20.662	0.000	0.000	0.000
	<b>Total Street Scene</b>	<b>28.877</b>	<b>7.730</b>	<b>9.796</b>	<b>(19.082)</b>	<b>(19.082)</b>	<b>103.569</b>	<b>103.569</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Housing Services</b>											
	Housing Options Service	0.284	0.368	0.444	0.160	0.160	2.604	2.764	0.160	0.160	0.000
	Private Sector Housing	0.685	0.169	0.332	(0.353)	(0.353)	1.986	1.973	(0.013)	(0.013)	0.000
<b>Housing Revenue Account</b>											
N3 ●	Housing Improvement Programme	71.016	45.557	71.016	0.000	0.000	653.634	623.091	(30.543)	(30.543)	0.000
N4 ●	Redevelopment	38.243	19.089	28.954	(9.289)	(9.289)	401.659	465.569	63.910	63.910	0.000
N5 ●	Other Programmes	5.462	1.719	5.462	0.000	0.000	57.129	87.827	30.698	30.698	0.000
	<b>Total Housing Revenue Account</b>	<b>114.721</b>	<b>66.365</b>	<b>105.432</b>	<b>(9.289)</b>	<b>(9.289)</b>	<b>1,112.422</b>	<b>1,176.487</b>	<b>64.065</b>	<b>64.065</b>	<b>0.000</b>
	<b>Total Housing Services</b>	<b>115.690</b>	<b>66.901</b>	<b>106.208</b>	<b>(9.482)</b>	<b>(9.482)</b>	<b>1,117.012</b>	<b>1,181.224</b>	<b>64.212</b>	<b>64.212</b>	<b>0.000</b>
<b>Neighbourhoods</b>											
N6 ●	Community, Sport & Events	2.487	2.231	2.343	(0.144)	(0.144)	5.487	5.825	0.338	0.338	0.000
	Neighbourhoods	0.002	0.000	0.000	(0.002)	(0.002)	0.002	0.000	(0.002)	(0.002)	0.000
	Cultural Development	3.076	0.066	0.076	(3.000)	(3.000)	4.076	4.076	0.000	0.000	0.000
	<b>Total Neighbourhoods</b>	<b>5.565</b>	<b>2.297</b>	<b>2.419</b>	<b>(3.146)</b>	<b>(3.146)</b>	<b>9.565</b>	<b>9.901</b>	<b>0.336</b>	<b>0.336</b>	<b>0.000</b>
<b>Regulation &amp; Enforcement</b>											
	Bereavement	0.095	(0.155)	0.095	0.000	0.000	0.095	0.095	0.000	0.000	0.000
	Markets Services	0.244	0.475	0.899	0.655	0.655	1.003	1.658	0.655	0.655	0.000
	Environmental Health	0.009	0.000	0.009	0.000	0.000	0.009	0.009	0.000	0.000	0.000
	Mortuary/Coroners	0.278	0.045	0.043	(0.235)	(0.235)	0.278	0.278	0.000	0.000	0.000
	Illegal Money Lending	0.000	0.057	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	<b>Total Regulation &amp; Enforcement</b>	<b>0.626</b>	<b>0.422</b>	<b>1.046</b>	<b>0.420</b>	<b>0.420</b>	<b>1.385</b>	<b>2.040</b>	<b>0.655</b>	<b>0.655</b>	<b>0.000</b>



Forecast Variations																		
Current Year							All Years											
Ref.	Current Budget £m	Current Actuals £m	Forecast £m	Variation £m	Previous Variation £m	Change £m	Current Budget £m	Forecast £m	Variation £m	Previous Variation £m	Change £m							
Total Neighbourhoods Directorate							150.758	77.350	119.469	(31.289)	(31.289)	0.000	1,231.530	1,296.733	65.203	65.203	0.000	
INCLUSIVE GROWTH DIRECTORATE																		
Planning & Development																		
Major Projects																		
Enterprise Zone - Paradise Circus	IG1	●	32.978	18.272	24.212	(8.765)	(8.765)	0.000	63.219	63.219	0.000	0.000	0.000	0.000	0.000	0.000		
Enterprise Zone - Site Development & Access	IG2	●	2.500	0.000	0.000	(2.500)	(2.500)	0.000	2.500	2.500	0.000	0.000	0.000	0.000	0.000	0.000		
Enterprise Zone - Connecting Economic Opportunities			1.115	0.258	0.550	(0.565)	(0.565)	0.000	139.707	139.707	0.000	0.000	0.000	0.000	0.000	0.000		
Enterprise Zone - Southern Gateway Site			0.450	0.000	0.450	0.000	0.000	0.000	150.450	150.450	0.000	0.000	0.000	0.000	0.000	0.000		
Enterprise Zone - Southside Public Realm			0.000	0.000	0.216	0.216	0.216	0.000	9.060	9.060	0.000	0.000	0.000	0.000	0.000	0.000		
Enterprise Zone - LEP Investment Fund			0.000	0.000	0.000	0.000	0.000	0.000	20.000	20.000	0.000	0.000	0.000	0.000	0.000	0.000		
Enterprise Zone - HS2-Interchange Site			0.000	0.000	0.000	0.000	0.000	0.000	20.000	20.000	0.000	0.000	0.000	0.000	0.000	0.000		
EZ Phase II - HS2 Station Environment			2.438	0.930	1.891	(0.547)	(0.547)	0.000	59.410	59.410	0.000	0.000	0.000	0.000	0.000	0.000		
EZ Phase II - HS2 Site Enabling	IG3	●	1.500	0.000	0.100	(1.400)	(1.400)	0.000	101.500	101.500	0.000	0.000	0.000	0.000	0.000	0.000		
EZ Phase II - Local Transport Improvements			0.000	0.000	0.000	0.000	0.000	0.000	104.800	104.800	0.000	0.000	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	0.000	0.000	183.300	183.300	0.000	0.000	0.000	0.000	0.000	0.000		
EZ Phase II - Social Infrastructure			0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
EZ Capitalised Interest	IG4	●	3.960	0.000	3.662	(0.298)	(0.298)	0.000	31.790	21.867	(9.923)	(9.923)	0.000	0.000	0.000	0.000		
Jewellery Quarter Cemetary			1.295	1.221	1.295	0.000	0.000	0.000	1.798	1.798	0.000	0.000	0.000	0.000	0.000	0.000		
Unlocking Housing Sites			5.554	1.626	5.554	0.000	0.000	0.000	5.554	5.554	0.000	0.000	0.000	0.000	0.000	0.000		
Life Sciences			0.000	0.000	0.000	0.000	0.000	0.000	0.973	0.973	0.000	0.000	0.000	0.000	0.000	0.000		
Other (Major Projects)			0.263	0.712	0.263	(0.000)	(0.000)	0.000	0.263	0.263	(0.000)	(0.000)	0.000	0.000	0.000	0.000		
Total Major Projects							52.053	23.018	38.194	(13.859)	(13.859)	0.000	894.323	884.401	(9.923)	(9.923)	0.000	
Employment & Skills							2.171	1.505	2.171	0.000	0.000	0.000	6.723	6.723	0.000	0.000	0.000	
Public Realm							4.339	3.195	4.339	0.000	0.000	0.000	4.339	4.339	0.000	0.000	0.000	
Infrastructure/Site Enabling Programme							0.319	0.157	0.084	(0.234)	(0.234)	0.000	0.319	0.319	0.000	0.000	0.000	
Grants/Loans Programme							0.000	0.072	0.000	0.000	0.000	0.000	1.000	1.000	0.000	0.000	0.000	
Total Planning & Development							58.882	27.947	44.789	(14.093)	(14.093)	0.000	906.704	896.782	(9.923)	(9.923)	0.000	0.000
Housing Development							0.085	0.000	0.085	0.000	0.000	0.000	51.075	51.075	0.000	0.000	0.000	
In Reach			0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
CWG-Sale To In Reach			0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
Total Housing Development							0.085	0.000	0.085	0.000	0.000	0.000	51.075	51.075	0.000	0.000	0.000	
Transport Connectivity																		
Major Schemes																		
Ashted Circus			0.730	0.090	0.500	(0.230)	(0.230)	0.000	0.730	0.500	(0.230)	0.052	(0.283)					
Metro Extension			0.150	0.307	0.250	0.100	0.100	0.000	4.724	4.824	0.100	0.100	0.000					
Iron Lane			4.207	3.804	4.199	(0.008)	(0.008)	0.000	10.216	10.216	0.000	0.000	0.000					
Minworth Unlocking			0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000					
Battery Way Extension			2.015	1.831	2.015	0.000	0.000	0.000	2.158	2.158	0.000	0.000	0.000					
Longbridge Connectivity			0.336	0.413	0.186	(0.150)	(0.150)	0.000	0.336	0.186	(0.150)	(0.150)	0.000					
A457 Dudley Road			0.955	0.555	0.750	(0.205)	(0.205)	0.000	28.898	28.898	0.000	0.000	0.000					
Journey Reliability			0.674	0.022	0.285	(0.389)	(0.389)	0.000	0.774	0.741	(0.033)	(0.033)	0.000					
Tame Valley Phase 2 & 3	IG5	●	2.097	0.572	1.046	(1.052)	(1.052)	0.000	87.805	87.805	0.000	0.000	0.000					
Selly Oak New Road Phase 1B	IG6	●	6.000	2.981	4.000	(2.000)	(2.000)	0.000	7.312	7.312	0.000	0.000	0.000					
Wharfedale Bridge	IG7	●	2.542	0.019	0.020	(2.522)	(2.522)	0.000	2.695	2.695	0.000	0.000	0.000					
Snow Hill Station	IG8	●	4.268	0.271	0.250	(4.018)	(4.018)	0.000	7.308	7.308	0.000	0.000	0.000					
Other (Major Schemes)	IG9	●	2.828	0.646	0.888	(1.939)	(1.939)	0.000	4.778	4.778	0.000	0.000	0.000					
Total Major Schemes							26.803	11.511	14.390	(12.413)	(12.413)	0.000	157.735	157.422	(0.313)	(0.031)	(0.283)	
Inclusive & Sustainable Growth							60.552	5.478	12.156	(48.386)	(48.386)	(0.009)	89.113	90.748	1.636	2.012	(0.376)	
Walking & Cycling	IG11	●	9.203	3.588	4.385	(4.818)	(4.818)	0.000	13.201	11.442	(1.759)	0.004	(1.762)					

Forecast Variations											
Ref.	Current Year						All Years				
	Current Budget £m	Current Actuals £m	Forecast £m	Variation £m	Previous Variation £m	Change £m	Current Budget £m	Forecast £m	Variation £m	Previous Variation £m	Change £m
Local Measure	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Infrastructure Dev	0.725	0.452	0.823	0.098	0.098	0.000	1.294	2.133	0.839	0.098	0.741
Transportation & highways Funding Strat	0.000	0.000	0.000	0.000	0.000	0.000	13.013	16.124	3.111	0.000	3.111
Section 278/S106	0.012	0.335	0.012	0.000	0.000	0.000	0.012	0.012	0.000	0.000	0.000
<b>Total Transport Connectivity</b>	<b>97.296</b>	<b>21.364</b>	<b>31.766</b>	<b>(65.529)</b>	<b>(65.520)</b>	<b>(0.009)</b>	<b>274.368</b>	<b>277.882</b>	<b>3.514</b>	<b>2.083</b>	<b>1.431</b>
<b>Highways Infrastructure</b>											
Safer Routes to Schools	0.669	0.269	0.269	(0.400)	(0.400)	0.000	2.169	2.169	0.000	0.000	0.000
Network Integrity and Efficiency	1.572	0.779	0.822	(0.750)	(0.750)	0.000	4.072	4.646	0.574	0.000	0.574
S106 & S278 Schemes	0.069	0.088	0.069	0.000	0.000	0.000	0.069	0.079	0.010	0.010	0.000
Road Safety	0.854	0.325	0.281	(0.572)	(0.572)	0.000	3.479	4.027	0.548	0.023	0.525
District Schemes	0.748	0.064	0.200	(0.549)	(0.549)	0.000	0.748	0.814	0.066	0.066	0.000
<b>Total Highways Infrastructure</b>	<b>3.911</b>	<b>1.525</b>	<b>1.640</b>	<b>(2.271)</b>	<b>(2.271)</b>	<b>0.000</b>	<b>10.536</b>	<b>11.734</b>	<b>1.198</b>	<b>0.099</b>	<b>1.099</b>
<b>Property Services</b>											
Attwood Green Parks	0.059	0.000	0.059	0.000	0.000	0.000	0.059	0.059	0.000	0.000	0.000
AttwoodGreen-Holloway Head Playing Field	0.038	0.022	0.038	0.000	0.000	0.000	0.038	0.038	0.000	0.000	0.000
Attwood Green-Woodview Community Centre	0.090	0.000	0.090	0.000	0.000	0.000	0.090	0.090	0.000	0.000	0.000
Council House Major Works	0.000	0.129	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Bham Crisis Centre-Nursery Extension	0.005	0.000	0.005	0.000	0.000	0.000	0.005	0.005	0.000	0.000	0.000
Lee Bank Business Centre	0.000	0.038	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Highbury Hall Essential Works	0.463	0.033	0.089	(0.373)	(0.373)	0.000	2.463	2.463	0.000	0.000	0.000
Property Strategy	9.500	7.915	8.000	(1.500)	(1.500)	0.000	55.000	55.000	0.000	0.000	0.000
<b>Total Property Services</b>	<b>10.153</b>	<b>8.137</b>	<b>8.280</b>	<b>(1.873)</b>	<b>(1.873)</b>	<b>0.000</b>	<b>57.653</b>	<b>57.653</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Total Inclusive Growth Directorate</b>	<b>170.327</b>	<b>58.973</b>	<b>86.561</b>	<b>(83.767)</b>	<b>(83.757)</b>	<b>(0.009)</b>	<b>1,300.337</b>	<b>1,295.126</b>	<b>(5.211)</b>	<b>(7.741)</b>	<b>2.530</b>
<b>DIGITAL &amp; CUSTOMER SERVICES DIRECTORATE</b>											
ICT & Digital	13.640	3.143	7.277	(6.363)	(6.363)	0.000	21.856	21.856	0.000	0.000	0.000
<b>Total Digital &amp; Customer Services Directorate</b>	<b>13.640</b>	<b>3.143</b>	<b>7.277</b>	<b>(6.363)</b>	<b>(6.363)</b>	<b>0.000</b>	<b>21.856</b>	<b>21.856</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>FINANCE &amp; GOVERNANCE DIRECTORATE</b>											
<b>Development &amp; Commercial</b>											
Gateway/Grand Central Residual Costs	12.800	(0.079)	0.200	(12.600)	(12.600)	0.000	18.564	18.564	0.000	0.000	0.000
Capital Loans & Equity	1.000	0.209	0.500	(0.500)	(0.500)	0.000	3.242	3.242	0.000	0.000	0.000
<b>Total Development &amp; Commercial</b>	<b>13.800</b>	<b>0.131</b>	<b>0.700</b>	<b>(13.100)</b>	<b>(13.100)</b>	<b>0.000</b>	<b>21.806</b>	<b>21.806</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Corporately Held Funds</b>											
Revenue Reform Projects	14.547	17.701	25.954	11.407	11.407	0.000	31.016	31.016	0.000	0.000	0.000
Corporate Capital Contingency	5.000	0.000	4.525	(0.475)	(0.475)	0.000	91.763	91.288	(0.475)	(0.475)	0.000
<b>Total Corporately Held Funds</b>	<b>19.547</b>	<b>17.701</b>	<b>30.479</b>	<b>10.932</b>	<b>10.932</b>	<b>0.000</b>	<b>122.779</b>	<b>122.304</b>	<b>(0.475)</b>	<b>(0.475)</b>	<b>0.000</b>
SAP Investments	0.414	0.199	0.198	(0.216)	(0.216)	0.000	3.989	3.989	0.000	0.000	0.000
<b>Total Finance &amp; Governance Directorate</b>	<b>33.761</b>	<b>18.030</b>	<b>31.377</b>	<b>(2.384)</b>	<b>(2.384)</b>	<b>0.000</b>	<b>148.574</b>	<b>148.099</b>	<b>(0.475)</b>	<b>(0.475)</b>	<b>0.000</b>
<b>ASSISTANT CHIEF EXECUTIVE DIRECTORATE</b>											
Public Health	0.750	0.750	0.750	0.000	0.000	0.000	1.000	1.000	0.000	0.000	0.000
<b>Total Assistant Chief Executive Directorate</b>	<b>0.750</b>	<b>0.750</b>	<b>0.750</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>1.000</b>	<b>1.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>COMMONWEALTH GAMES 2022</b>											
CWG Village	164.926	81.689	164.926	0.000	0.000	0.000	466.587	466.587	0.000	0.000	0.000
CWG Alexander Stadium	2.187	3.933	4.376	2.189	2.189	0.000	70.806	70.806	0.000	0.000	0.000
CWG Organising Cttee	12.809	0.000	6.595	(6.214)	(6.214)	0.000	73.244	73.244	0.000	0.000	0.000
<b>Total Commonwealth Games 2022</b>	<b>179.922</b>	<b>85.622</b>	<b>175.897</b>	<b>(4.025)</b>	<b>(4.025)</b>	<b>0.000</b>	<b>610.637</b>	<b>610.637</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Total Capital Programme</b>	<b>636.158</b>	<b>304.908</b>	<b>302.490</b>	<b>(133.668)</b>	<b>(133.659)</b>	<b>(0.009)</b>	<b>3,500.948</b>	<b>3,560.602</b>	<b>59.655</b>	<b>57.125</b>	<b>2.530</b>

ADULT SOCIAL CARE DIRECTORATE			
Project/Programme	Comments	Current Year (£m)	All Years (£m)
AC1 - Independent Living	The forecast acceleration of £3m is to address a progression of a backlog of cases from last year which were held up due to a legal challenge. In addition to this there has been an increase in the number of referrals to OT DFG service hence resulting in a higher expenditure than previously forecast.	3.000	0.000

EDUCATION AND SKILLS DIRECTORATE			
Project/Programme	Comments	Current Year (£m)	All Years (£m)
ES1	£1m has been slipped into future years as originally it had been anticipated that more Asbestos Management Surveys would have been completed by BCL and works related to these undertaken in 19/20. However, this has been a slower process and as a result the budget is being slipped. £900k has also been slipped into future years for the schools academisation due to schools not converting in 19/20. This will be used towards those Academy conversions in 20/21.	(1.900)	0.000
ES2	£5m has been slipped into future years due to the delay in getting the approval for the Skilts School relocation. The project will now be on site in January 2020 and not September 2019 as originally profiled. As a result the majority of spend on this project will now take place in 2020/21.	(5.000)	0.000

NEIGHBOURHOODS DIRECTORATE			
Project/Programme	Comments	Current Year (£m)	All Years (£m)
N1 - Waste Management Services	Waste are reviewing their Fleet requirements to seek alternative fuels to comply with the Clean Air policy and seek to maximise their return on investment. Manufacturers cannot deliver before April 2020. Therefore £8.8m has been slipped into the next financial year. The remainder of the variation is due to small slippage on the Waste Depot Modernisation scheme.	(9.051)	0.000
N2 - Parks & Nature Conservation	There is a limited supply of Clean Air Zone compliant Grounds Maintenance vehicles which has resulted in slippage of £9.4m into 2020/21 when more vehicles to this standard are likely to enter the market. £0.4m minor Parks slippage.	(10.030)	0.000
N3 - Housing Improvement Programme (HRA)	An underspend of £29.301m for all years was previously reported at Quarter 2. There is a further underspend in quarter 3 of £1.242m in future years which is offset by the allocation of capital budget to other priority areas, including Adaptations to HRA dwellings. This is reflected in the HRA Business Plan 2020+.	0.000	(30.543)

N4 - Redevelopment (HRA)	Slippage of £4.022m relating to the Current Year was previously reported at quarter 2. Additional Slippage of £5.267m has been identified in quarter 3. Of this there is net slippage on BMHT of £3.939m and net slippage on the Clearance programme of £1.328m. The main reasons for the slippage is due to delays in achieving planning and tendering approvals at Abbeyfields, Alum Drive, Houldey Road, Kestrel Avenue, Gladstone Road and Farnborough Road for BMHT. The Clearance slippage is at Kings Norton (difficulty in acquiring properties due to owners not fully engaging ); rehousing issues at Alfred and Beach Road and additional service diversions at Heath House. An overspend of £63.912m for all years was previously reported at quarter 2. This is reflected in the HRA Business Plan 2020+.	(9.289)	63.910
N5 - Other Programmes (HRA)	An all years overspend of £14.5m was previously reported at Quarter 2. Further resources in quarter 3 have been identified within the revised HRA Business Plan 2020+ of £16.198m. This will be reallocated on a priority basis in due course, subject to governance arrangements.	0.000	30.698
N6 - Cultural Development	The £3m loan has been slipped into future years as Performance Birmingham Ltd are undertaking a fund raising programme and therefore may not require the Council's loan facility. The loan is funded by prudential borrowing so this will have no impact on BCC if the loan is not required.	(3.000)	0.000

INCLUSIVE GROWTH DIRECTORATE			
Project/Programme	Comments	Current Year (£m)	All Years (£m)
IG1 - Enterprise Zone - Paradise Circus	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	(8.765)	0.000
IG2 - Enterprise Zone - Site Development & Access	£2m has slipped due to delays from the developer in preparing & submitting the Eastside Locks Full Business Case for funding to the GBSLEP for Enterprise Zone.	(2.500)	0.000
IG3 - EZ Phase II - HS2 Site Enabling	Old Curzon building slippage of £1m is due to delays in HS2 securing approval from Government for their increased funding contribution to the project.	(1.400)	0.000
IG4 - EZ Capitalised Interest	A review of the timing of the Enterprise Zone capital programme in later years has resulted in a reduction of £9m capitalised interest.	(0.298)	(9.923)
IG5 - Tame Valley Phase 2 & 3	The slippage for Tame Valley Viaduct has been due to the following two factors; 1. Delays in commencement of the main contract procurement including the OJEU process. 2. Delays in the procurement of the advance testing works, valued circa £850,000 and originally programmed to commence in November 2019, as no tenders were submitted in the first round of the procurement process. This necessitated a re-tendering exercise for a second time. The works are expected to commence in March 2020 subject to receipt of satisfactory tenders and award of contract.	(1.052)	0.000
IG6 - Selly Oak New Road Phase 1B	The £1.472m slippage is a result of delays in obtaining amendments to the final design where rephasing is required to accommodate the impact of major works (traffic signals and street lighting) being billed towards the end of the project (2020/21).	(2.000)	0.000
IG7 - Wharfedale Bridge	£2.4m is due to be paid to Network Rail to deliver the scheme. However Network Rail are severely delayed in delivering their Programme and will not complete the necessary works this financial year.	(2.522)	0.000

IG8 - Snow Hill Station	The £3.808m slippage is a result of delays in 'Full Business Case' approval, design delays, also works on the site have been delayed until the new year due to an embargo. These severe delays have resulted in the project being slipped and completed in 2020-21.	(4.018)	0.000
IG9 - Other (Major Schemes)	The slippage relates to other minor Transportation projects that have been slipped into 2020-21. These schemes are either S278 schemes or historic legacy schemes. The S278 schemes are Developer dependant and money can only be spent once the developer provides the relevant design. This is not in the control of the Council, so if the Developer programme is delayed, funding will not be spent in line with the Capital Programme. The legacy schemes have money held against them to cover ongoing claims, some of which are going through a drawn out legal process so can't be settled quickly. The money needs to be held against the schemes to pay out should it be necessary to do so.	(1.939)	0.000
IG10 - Inclusive & Sustainable Growth	<p>The slippage in 2019-20 mainly relates to:</p> <p>1) Clean Air Zone (£37.958m) -The mitigations fund of £27.720m, has been deferred to 2020/21 as the infrastructure that will allow delivery is not yet in place, it is dependent on the delivery of Vehicle Compliance Access and support systems which are in development. The Implementation Fund has slipped £10.238m into 2020/21, this is mainly due to the fact the operational date has been postponed to July 2020.</p> <p>2) Clean Air Hydrogen Bus (£7.596m) -The project has slipped due to the bus manufacturer going into administration in September. Following confirmation that Wrightbus has re-started hydrogen bus production under its new owner, the Council relaunched the OJEU procurement process to secure a hydrogen bus operator on the 20th December 2019. The procurement process will be completed by the end of January 2020, and the operator appointed by the end of February 2020, to enable the 20% bus purchase deposit and related expenditure to be released before 31st March 2020, to achieve the target spend of £3.4m.</p> <p>The increase in expenditure in future years relates the Cabinet approved Snow Hill Growth Strategy project.</p>	(48.396)	1.636
IG11 - Walking & Cycling	Working towards the completion of Birmingham Cycle Revolution there are elements of the main corridor that final payment have not been resolved hence the slippage. There are also some small supporting schemes which have required consultation such as cycle parking which have been delayed and therefore contributed to the slippage. In addition Pershore Road has been held up due to the need to undertake value engineering to resolve land and services and therefore funding has been moved into next financial year.	(4.818)	(1.759)
IG12 - Transportation & highways Funding Strat	The forecast variation relates to recasting of the Capital Programme as per the Transportation and Highways Capital Programme 2020-21 to 2025-26 Cabinet report which was approved on 11/02/2020.	0.000	3.111
IG13 - Property Strategy	The project has engaged external consultancy to support the programme who are due to report in February 2020. This will be developed into an Outline Business Case in Spring 2020 and then onto a Full Business Case later in the year which will give authority to capital works on the adopted service delivery model.	(1.500)	0.000

DIGITAL & CUSTOMER SERVICES DIRECTORATE			
Project/Programme	Comments	Current Year (£m)	All Years (£m)
DCS1 - ICT & Digital	The slippage of £6.363m is as a result of delays in obtaining amendments to the final design and procurement of Data Centre and Cloud Storage provision schemes within the Application Platform Modernisation Programme.	(6.363)	0.000

FINANCE & GOVERNANCE DIRECTORATE			
Project/Programme	Comments	Current Year (£m)	All Years (£m)
FG1 - Gateway/Grand Central Residual Costs	Slippage of £12.6m has occurred due to prolonged negotiations between the relevant third parties agreeing a preferred solution for remedying the outstanding design and construction works. This has also affected the timing of associated compensation payments and professional fees.	(12.600)	0.000
FG2 - Revenue Reform Projects	Revised redundancy and Pension Fund Strain costs based on latest forecasts on achievement of savings targets through staff reductions in line with the savings being delivered in year.	11.407	0.000

COMMONWEALTH GAMES 2022			
Project/Programme	Comments	Current Year (£m)	All Years (£m)
CW1- CWG Alexander Stadium	Acceleration of £2.189m. The demolition of existing stands is under way, with good progress being made in advance of earlier programme expectations. It is, however, anticipated that the overall project will be delivered within the overall budget and timescales previously agreed.	2.189	0.000
CW2 - CWG Organising Cttee	This expenditure substantially relates to reimbursement of capital expenditure incurred by the Organising Committee in accordance with the Host City Contract. It is understood that a number of elements of their expenditure that was originally envisaged to be treated as capital expenditure has now been reclassified as revenue expenditure, and will therefore be funded by other partners.	(6.214)	0.000

EDUCATION AND SKILLS DIRECTORATE	
Project/Programme	Comments
Schools Academisation	Some schools have/are in the process of converting to Academies, but have significant deficits that have to be funded by the LA. A funding switch utilising capital resources has been identified to fund known costs, but any further increases would in the first instance be a revenue pressure

NEIGHBOURHOODS DIRECTORATE	
Project/Programme	Comments
HRA - Fire Protection Programme	A financial risk of approximately £28m in future years has been identified to address measures recommended from the Hackett Review as Fire Precautions for High Rise Blocks. This will need to be contained within HRA financial resources.
HRA - Adaptations	There is financial risk due to a significant backlog of adult referral cases. Both Neighbourhoods and Adults Social Care are working together to address the operation and financial issues through a comprehensive implementation plan alongside a financial mitigation plan.

INCLUSIVE GROWTH DIRECTORATE	
Project/Programme	Comments
Clean Air Hydrogen Bus Pilot	The procurement process to secure a hydrogen bus operator provider was launched through the OJEU process on 20th December, following confirmation that the bus manufacturer has re-started hydrogen bus production again with a new owner. Final tender evaluation and governance processes for the hydrogen bus operator will be completed to ensure the bus order can be placed before the end of the financial year. The project officer is in contact with grant funders to update the situation regarding the project status. The funding was due to spend 20% (bus purchase deposit) by the end of November 2019 as one of the project milestones. This will now be by the end of March 2020.

COMMONWEALTH GAMES 2022	
Project/Programme	Comments
CWG Village	Substantial progress has been made on land acquisitions, with over 80% of land now in the Council's ownership, in advance of confirmation of a CPO for the area. Negotiations are continuing with Tier 1 contractors for the construction phase, prior to entering into contracts. A detailed review of all income and expenditure estimates is under way, which is identifying a significant risk of material cost increases versus budget. Work is ongoing with the tier 1 contractors to manage these risks to minimise the impact of these pressures, whilst ensuring full delivery in advance of the Commonwealth Games in 2022.
CWG Alexander Stadium	Demolition of the main stand is scheduled to commence during September 2019, with construction activity to follow from April 2020. Planning consent was given on 30 January 2020. Design and associated costings have now progressed to RIBA Stage 3, and remain within the approved budget.
CWG Organising Cttee	Key components for 2019/20 include funding for the Sandwell Aquatics Centre, OC capital costs relating to property leases and Capital Contingency across all capital projects. At this stage specific project costs are considered to be on track, with a funding agreement for the SAC currently under development. To the extent that the contingency element of this budget is not utilised in 2019/20, this will be reprofiled into future years.





## TREASURY MANAGEMENT MONITORING DASHBOARD: PERIOD 10 (JANUARY 2020)

	value	comparator	difference
<b>1 gross loan debt</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
at month end	<b>3,174</b>		
year end Forecast (vs Plan)	3,201	3,573	-372
year end Forecast (vs Pru Limit for loan debt*)	3,201	3,867	-666
<i>*monitoring of the full set of prudential indicators is reported quarterly to Cabinet</i>			
<b>2 short term borrowing</b>			
at month end (vs Guideline)	<b>261</b>	500	-239
interest rate year to date on outstanding deals (vs assumption)	<b>0.75%</b>	0.85%	-0.10%
<b>3 Treasury investments</b>			
at month end (vs Guideline)	<b>29</b>	40	-11
interest rate year to date on outstanding deals (vs assumption)	<b>0.68%</b>	0.55%	0.13%
<b>4 Long term loans taken</b>			
year to date (vs plan for year)	<b>150</b>	225	-75
ave. interest rate obtained (vs assumption)	<b>1.87%</b>	2.85%	-0.98%
<b>5 Assurance</b>			
were Credit criteria complied with?	<b>yes</b>		
were investment defaults avoided?	<b>yes</b>		
was the TM Code complied with?	<b>yes</b>		
were prudential limits complied with?	<b>yes</b>		





# Procurement and Contract Management

## Report for the Resources O&S Committee

### 1 Purpose

- 1.1 Since its creation in 2018, the Resources O&S Committee has encountered a number of issues in relation to how contracts are procured and managed in the council.
- 1.2 This note sets out some of the concerns raised over that time, and asks the Committee to consider what, if any, next steps it wishes to take.

### 2 Matters Raised

- 2.1 The process for procuring goods and services is set out in Part D3 of the Constitution – Procurement Governance Arrangements. Also relevant to this discussion is Part D2 – Rules Relating to Contracts (both parts are attached to this note).
- 2.2 Whilst the routes for both contracts and procurement are set out in these pages, the Committee has identified some difficulties with the actions taken along those routes. These are summarised below:
  - **Taking account of policy change:** at the last meeting an item of urgent business was raised in relation to the publication of an OJEU notice for the procurement of waste treatment services. The concern was that the delegated authority to commence procurement activity had been given in a February 2018 Cabinet report, more than a year before the council had declared a climate emergency that will no doubt necessitate changes to the Council's waste and energy policy. The OJEU notice reflects a tender scenario based on the existing waste and energy policy. This raises questions about how the procurement procedure ensures account is taken of any necessary changes in council policy.
  - **Clarity on the requirements of the procurement arrangements and whether these are being followed:** the call-in meeting on 10<sup>th</sup> February discussed the decision to enter into Single Contractor Negotiations for the provision of a Clean Air Zone mitigations application and case management system. This raised questions about whether the arrangements for procurement set out in Part D3 had been followed, and some confusion about what requirements applied.
  - **Timeliness of procurement decisions:** this has arisen multiple times, including the re-procurement of the waste management contract (subject of a call-in by this committee in January 2019); the emergency decision taken in December 2019 in relation to the National Express bus depot relocation; and was in issue in the Clean Air Zone mitigations application referred above.



# Procurement and Contract Management

In each of these cases, the need for a quick decision overrode other good governance or transparency requirements. It is unclear why this is a recurring issue and is perhaps related more to contract management rather than procurement processes but does raise questions regarding how service areas and procurement work together to ensure compliance.

- 2.3 Members are asked to consider how they wish to take forward these matters. One option is to refer Constitution matters to Co-ordinating O&S Committee for them to make recommendations to the Executive. For example, the Committee could consider recommendations around delegated decisions to ensure that they are reviewed after a certain period, or are time-limited, to ensure any subsequent policy, budget or statutory changes are taken into account.

## D2. RULES RELATING TO CONTRACTS

### 2.1 Introduction

- i. These Rules shall be regarded as Standing Orders of the Council for the purposes of Local Government Act 1972.
- ii. These amended Standing Orders apply to all new procurement processes which are commenced after **10 September 2019**.

### 2.2 Application and Interpretation

In these rules:

**“Authorised Officer”** means the officer to whom the function has been delegated in accordance with delegations or sub-delegations set out in the Constitution or appendices.

**“Authorised Recipient”** means the officer responsible for the receipt of tenders and quotations.

**“Best Value”** means the Council's duty under Section 3 Local Government Act 1999.

**“Building Regulation Authority”** means a local authority as defined by Section 126(1) Building Act 1984.

**“Candidate”** means a contractor that has sought an invitation or has been invited to take part in a restricted procedure, a competitive procedure with negotiation, a negotiated procedure without prior publication, a competitive dialogue or an innovation partnership.

**“Closing Date”** means the time and date specified in the invitation to tender, quote or negotiate (or any later date that is notified to all persons invited to tender, submit a quote or negotiate where such notification is provided at least 24 hours before the previous Closing Date).

**“Competitive Dialogue”** and **“Competitive Procedure with Negotiation”** mean negotiations carried out in accordance with Public Procurement legislation.

**“Contract”** means a contract for supplies, services, or for the execution of any works and also includes a Framework Agreement and Dynamic Purchasing System. It excludes contracts for the acquisition or disposal of an interest in land, and the grant of a licence.

**“Contractor”** means any person seeking to enter into a contract with the Council.

**“Decision Maker”** means the Council, Cabinet, Cabinet Member, Committee or Sub-Committee or Authorised Officer to whom a function has been delegated in accordance with the Council's Constitution (Part E or the Directorate Sub-Delegations).

**“Estimated Total Cost”** means the aggregate total cost of the supplies or services to be provided or works to be performed under a contract, including any form of option, estimated prior to its procurement.

**“Public Procurement Legislation”** means the Public Contract Regulations 2015 as amended or Concession Contract Regulations 2016 as appropriate or any other successor legislation.

**“Procurement Threshold”** means the published financial threshold applying to in scope supplies, services and works contracts and concession contracts as identified in the Public Procurement Legislation.

**“Framework Agreement”** means a contract concluded in accordance with the Public Procurement Legislation by the Council or by another contracting authority, which establishes the terms under which a contractor will enter into contracts with a contracting authority covered by the scope of the agreement in the period during which the framework agreement applies.

**“Innovation Partnership”** means a procedure carried out in accordance with regulation 31 of the Public Contract Regulations 2015 or any successor legislation, in which the aim is the development of an innovative product, service or works, not already available on the market.

**“LEP Authority”** means the following local authorities:

Solihull MBC, East Staffordshire Borough Council, Lichfield Borough Council, Tamworth Borough Council, Bromsgrove District Council and Cannock Chase District Council and any other local authority (or authorities) that may join the Greater Birmingham & Solihull Local Enterprise Partnership.

**“Negotiated Contracts”** means the process undertaken by Officers in order to award contracts as set out in Section 2.5.

**“Open Procedure”** means a procedure leading to the award of a contract where any interested contractor may submit a tender in response to a contract notice.

**“Restricted Procedure”** means a procedure leading to the award of a contract where any interested contractor may submit an expression of interest in response to a contract notice, but only candidates selected by the Council will be invited to submit tenders.

**“Unforeseen Priority”** means a situation where there is an overwhelming and immovable requirement to complete an item of work, such requirement could not have been foreseen within sufficient time to have allowed a competitive procurement, and the adverse consequences of delaying the completion of such work significantly outweigh the consequences of not securing effective competition. This is provided that the overwhelming and immovable requirement is not attributable to the Council.

## **2.3 Compliance**

- i. Every contract made by the Council shall comply with these Rules and be carried out in a fair, open and transparent manner that treats all contractors equally and without discrimination, provided that this does not include contracts for the appointment of barristers, or legal advice where in the opinion of the City Solicitor urgent advice is needed to protect the interests of the council.
- ii. Instruction of any legal firm or barrister must be approved by the City Solicitor.

### **Subdivision of Contracts**

- iii. No contract shall be subdivided into smaller contracts so as to avoid compliance with Standing Orders.

### **Value Added Tax (VAT)**

- iv. All figures in Standing Orders are net of VAT.

### **Exemption**

- v. Exemption from any Standing Order may be authorised by the Decision Maker PROVIDED THAT the Decision Maker is satisfied that the exemption is justified by special circumstances and the Decision Maker records in writing the ground(s) for being so satisfied as part of that decision.

## **2.4 Quotations**

### **Low Cost Quotations**

- i. Where the estimated total cost of a contract does not exceed £10,000 no contract shall be entered into unless three written quotations have been secured from contractors listed on the finditinbirmingham.com database who the Authorised Recipient considers are suitable.<sup>1</sup> If the Authorised Recipient is unable to secure the submission of 3 written quotations then the Authorised Recipient shall record the reasons and proceed with a single quotation, subject to the Decision Maker's agreement being obtained pursuant to vi

### **High Cost Quotations**

- ii. Where the estimated total cost of a contract exceeds £10,000 but is below the Procurement Threshold no contract shall be entered into unless either:
- The contract has been advertised on finditinbirmingham.com<sup>2</sup> and a minimum of seven calendar days allowed for the submission of quotations and at least three quotations have been submitted. (Due regard should be given to the complexity of the proposed contract and the time required for drafting a tender response when setting the time limit for bidding). If at the end of the advertising period less than 3 quotations have been submitted then the Authorised Recipient shall record the reasons and proceed with a single quotation, subject to the Decision Maker's agreement being obtained pursuant to vi.; or
  - Where there is a suitable Framework Agreement, then quotations should be sought by either a mini-competition or direct award in accordance with the call-off rules established for that Framework Agreement.
  - Where the estimated total cost of a contract exceeds £25,000 the contract has also to be advertised on [www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder).

### **Building Regulation Authorities and Local Enterprise Partnership (LEP) Authorities**

- iii. Where the proposed contract is for building consultancy work with a Building Regulation Authority or for services to be undertaken by a LEP Authority and the estimated total cost

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<sup>1</sup> If the contract delivery is outside the West Midlands, the procuring officer shall determine the means of advertising in order to secure the appropriate number of quotations to achieve value for money.

<sup>2</sup> As above

of the contract does not exceed the Procurement Threshold the Council shall be entitled to enter into the contract with the Building Regulation Authority or the LEP Authority as appropriate without first seeking quotations or advertising the contract on [finditinbirmingham.com](http://finditinbirmingham.com).

### **Tenders**

- iv. No contract whose estimated total cost exceeds the Procurement Threshold shall be entered into unless tenders have been invited in accordance with either the open or restricted procedures, or one of the negotiated contracts or framework agreement procedures set out below and carried out in accordance with Public Procurement Legislation.

### **Pre Estimate of Tender Sum**

- v. No tender shall be invited for a contract unless:
- an authorised officer has prepared an estimate in writing of the probable expense of the supplies or services or of executing the works; and
  - in the case of a tender for the execution of any works, an authorised officer has prepared an estimate of the annual running costs after completion.

### **Publication of Notices**

- vi. Contracts shall be advertised and awarded in accordance with Public Procurement Legislation through the Council's e-tendering provider. Contract notices shall also be published on [www.finditinbirmingham.com](http://www.finditinbirmingham.com).<sup>3</sup>

## **2.5 Negotiated Contracts**

### **Multiple Contractor Negotiations (MCN)**

- i. A contract may be negotiated and concluded with three or more prospective contractors where the City Solicitor (or Assistant Director, Legal), the Chief Finance Officer (or the Assistant Director Development and Commercial Finance) has certified in writing prior to the commencement of such negotiations that the method of procurement:
- Satisfies Best Value;
  - (Where the value exceeds the Procurement threshold) is in accordance with the Procurement Directives; and
  - Contractors would be unlikely to submit an unqualified tender or quotation.
- ii. Where such authorisation has been issued, the Quotations and Tenders sections above (except for Pre-estimate of Tender Sum) and the Submission of Quotations and Tenders section below shall not apply to that contract.
- iii. MCNs are not to be used as a means to extend contracts that have failed to be re-procured in sufficient time.

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<sup>3</sup> See footnote 1 above



### **Single Contractor Negotiations (SCN)**

- iv. A contract may be negotiated and concluded with a single contractor where the City Solicitor (or Assistant Director, Legal) and the Chief Finance Officer (or the Assistant Director Development and Commercial Finance) has certified in writing prior to the commencement of such negotiations that the method of procurement:
  - Where the value exceeds the Procurement Threshold) is in accordance with Public Procurement Legislation;
  - As a result of a market investigation there is only one contractor that can meet the Council's requirements for that contract; or
  - There is an unforeseen priority
- v. Where such authorisation has been issued, the Quotations and Tenders sections above (except for Pre-estimate of Tender Sum) and Submission of Quotations and Tenders section below shall not apply to that contract.
- vi. SCNs are not to routinely be used as a means to award or extend contracts that have failed to be re-procured in sufficient time.
- vii. The duration of contracts awarded under SCNs should be proportionate to the subject matter of the contract.

### **Competitive Dialogue, Competitive Procedure with Negotiation or Innovation Partnership**

- viii. A contract may be the subject of Competitive Dialogue, Competitive Procedure with Negotiation or Innovation Partnership where the City Solicitor, the Chief Finance Officer, or the Assistant Director Development and Commercial Finance has agreed the Procurement Strategy report prior to the publication of a contract notice, that use of an alternative procurement procedure will not satisfactorily allow the award of contract.
- ix. Where such authorisation has been issued, the Quotations and Tenders sections above (except for Pre-estimate of Tender Sum) and Submission of Quotations and Tenders section below shall not apply to that contract.

## **2.6 Framework Agreements**

### **Single Contractor Framework Agreement**

- i. Where a single contractor has entered into a contract with the Council based on a Framework Agreement established by the Council or by a Contracting Authority that has included the Council within the scope of their Agreement, the issue of individual orders for work within the scope of that contract shall not require further action under Standing Orders.

### **Multiple Contractor Framework Agreements**

- ii. When more than one contractor has entered into a Framework Agreement with the Council then the issue of orders shall be in accordance with any allocation rules agreed with the Decision Maker on the award of the contract. Where the rules require opening

up competition between the Framework Contractors, then a report shall be issued to the Decision Maker under the Evaluation and Award section below setting out the reason for the award to the particular contractor and how the price payable by the Council has been reached.

- iii. Contracts to be concluded by a call off from a Framework Agreement established by another Contracting Authority shall be carried out in accordance with the rules for the operation of that Framework Agreement; ensuring that the scope covers the Council as a Contracting Authority to which the framework is open.

#### **Dynamic Purchasing Systems**

- iv. Dynamic purchasing systems shall be operated as a completely electronic process, and shall be open throughout the period of validity of the purchasing system to any economic operator that satisfies the selection criteria. In order to procure under a dynamic purchasing system, the rules of the Restricted Procedure shall be followed in accordance with the Public Procurement Legislation.

## **2.7 Submission of Quotations and Tenders**

#### **Method of Submission**

- i. All invitations to tender or quote shall state that no tender or quotation shall be considered unless it is submitted in accordance with the requirements described in the instructions for tendering or submitting quotations.

#### **Closing Date**

- ii. No tender or quotation received after the closing date shall be accepted or considered.

#### **Record**

- iii. The authorised recipient shall be responsible for ensuring that there is an accurate record of the receipt of tenders and quotations.

## **2.8 Evaluation and Award**

#### **Evaluation principles**

- i. All invitations to tender or to submit a quotation shall specify the selection and award criteria.

#### **Award Report**

- ii. A written report on the evaluation of tenders shall be issued to the decision maker, following any procurement in accordance with the Tenders, Negotiated Contracts or Framework Agreements sections above including the opening up of competition when calling off from a framework agreement and when establishing a dynamic purchasing system.
- iii. Award reports shall include at least the following:

- a) A brief summary setting out the subject matter of the report and the desired outcomes;
- b) results of the qualitative selection and the reasons for selection or rejection of contractors;
- c) and additionally (where appropriate):
  - The reasons for selection or rejection of Candidates;
  - The reasons for the rejection of tenders found to be abnormally low;
  - Any delegations sought to take up options to extend the contract subject to satisfactory performance and budget availability;
  - The pre-estimate of expenditure or the total value of orders; and
  - The rules for the allocation of orders.

#### **Contract Award**

- iv. Following the authorisation of the award report, all tenderers shall be notified in writing of the outcome, subject to the requirements of the Public Procurement Legislation regarding standstill periods. Debrief and publication of the award notice(s) shall be complied with.

### **2.9 Content of Contracts**

- i. Every contract shall be in writing and shall contain clauses which are currently approved by the City Solicitor which address:
  - a) The prevention of corruption;
  - b) Equal opportunities;
  - c) The Council's procurement policy framework for jobs and skills where applicable;
  - d) The Council's Birmingham Business Charter for Social Responsibility where applicable; and
  - e) Where the contract exceeds the Procurement Threshold; the contract shall contain clauses reflecting obligations under Public Procurement Legislation.

### **2.10 Execution of Contracts**

#### **Sealing**

- i. Every works contract which exceeds £250,000 in value, every contract for supplies or services which exceeds £1,000,000 in value and all Framework Agreements irrespective of their value shall be sealed with the Common Seal of the Council and shall be executed by the contractor as a Deed.

#### **Signing**

- ii. Every contract shall be signed on behalf of the Council either by a senior lawyer who is duly authorised by the Council or an authorised officer.

**Members**

- iii. No Member of the Council shall enter either orally or in writing into any contract on the Council's behalf.

## **D3. PROCUREMENT GOVERNANCE ARRANGEMENTS**

### **3.1 Scope**

- i. This sets out the governance arrangements for approval and award of contracts and for the exercise of the chief officer delegations where the supplies, materials, services to be purchased or the works to be executed are between the Procurement Threshold and £10,000,000 in value. Chief Officers/Directors will put in place a scheme of sub-delegations to other officers and these will be published on the Council's webpage.
- ii. These figures refer to the Council's expenditure only, notwithstanding that the Council may permit its Framework Agreements to be used by other contracting authorities.
- iii. Where the estimated value of a contract is £10,000,000 or above, Cabinet is required to approve the strategy report and the contract award. Where the estimated value of a contract is under £10,000,000, the contract award decision shall normally be delegated to Chief Officers/Directors in accordance with the Procurement Governance Arrangements; provided that the [tolerances](#) below are not exceeded, in which case such contract award decision will be made jointly by the Cabinet Member – Finances and Resources together with the relevant Chief Officer. Where it is likely that the award of the contract will result in staff employed by the Council transferring to the successful contractor under TUPE, in which case the decision must be made by Cabinet.

### **3.2 Sounding out Cabinet – Planned Procurement Activities Report (PPAR)**

- i. The Assistant Director of Development and Commercial Finance shall present a monthly report to Cabinet plus a copy to the Resources Overview and Scrutiny Committee of all relevant planned procurement activity ("Planned Procurement Activities Report") over the following quarter.
- ii. The report is in header form listing the goods or services with estimated timescale, together with a briefing note. Estimated contract values may in most cases be exempt from public disclosure subject to the public interest test in accordance with Schedule 12A of the Local Government Act 1972.<sup>4</sup> This report is:
  - a) To inform Cabinet and the Resources Overview & Scrutiny Committee of planned procurement activities over the following quarter.
  - b) To act as a sounding for Members for the planned activities where decisions are delegated to Chief Officers/Directors;
  - c) For Cabinet to identify any sensitivities or requirements that necessitate a procurement report to be presented to Cabinet for an executive decision prior to starting the procurement rather than delegating the decision to Chief Officers/Directors.

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<sup>4</sup> Further guidance on exempt information can be found in Part C2 Access to Information

- iii. Any planned procurements can, at the discretion of Cabinet, be brought back to Cabinet for an Executive decision.

### 3.3 Strategy Report

- i. Prior to commencing a procurement process and the issue of tender documents, a brief outline of the proposed activity ("Strategy Report") will be prepared by the Directorate Chief Officer, or if the contract is designed to service two or more Directorates, the relevant Head of Category from within Corporate Procurement ("**the Contract Owner**") seeking approval from:
- Finance - to validate that the anticipated benefits can be realised and to confirm the budget is available;
  - Legal Services - to confirm the proposal including the method of procurement is within the Council's powers.; and
  - Corporate Procurement Services - to confirm that the strategy demonstrates the best form of procurement, is likely to secure effective competition and deliver best value and approve the market engagement strategy.
  - The Contract Owner shall gain approval to the content of the Strategy Report from City Solicitor, Chief Finance Officer and Assistant Director of Development and Commercial Finance (or their delegates) by email. It is required that the same, final version of the Strategy Report having been seen and authorised by all parties.

### 3.4 Tolerances for operation

- i. If a project within the Planned Procurement Activities Report is not approved for the goods or services required, then an Executive decision will need to be made by Cabinet (or the relevant Cabinet Member in consultation with a Chief Officer if it is within the appropriate financial limits).
- ii. Also if:
- the estimated total value of the contract exceeds the figure stated in the Planned Procurement Activities Report by 20% or £500,000 (whichever is the lower), or exceeds £10,000,000;
  - the proposed length of the contract exceeds by more than 12 months the term stated in the Planned Procurement Activities Report;
  - there is a material change to the scope of the contract as set out in the Planned Procurement Activities Report;

the Executive decision on contract award will be delegated to the Cabinet Member – Finance and Resources acting with the relevant Chief Officer.

### 3.5 Contract Award Report

- i. At the end of the tender and to enable a contract award to be made and an award notice to be published, an award report shall be produced in accordance with the Public Procurement Legislation for consideration by the relevant Decision Maker in order to authorise approval ("Contract Award Report").

- ii. The Contract Award Report should make clear where authorisation is being sought to delegate to the appropriate Chief Officer the taking up of the option to extend, in whole or in part, by written notice to the contractor(s), subject to satisfactory performance and funding availability. See Award Reports section D2.8 iii above for the minimum content of Award Reports.
- iii. The Contract Award Report shall be approved by the City Solicitor, the Chief Finance Officer and the Assistant Director Development and Commercial Finance (or their delegates); the same final version of the Contract Award Report having been seen and authorised by all parties.

### **3.6 Combined Strategy and Contract Award report**

- i. Where the proposed procurement route is the use of (or “call off” from) another Contracting Authority’s Framework Agreement, a combined strategy and award report may be presented to the relevant Decision Maker provided that, in addition to the applicable requirements of the Framework and Award sections above, the report contains an options appraisal stating:
  - The justification for use of the framework agreement;
  - How the Council’s policies (including the Social Value and Living Wage Policies) will be addressed; and
  - The reason for the award to the particular contractor and how the price payable by the Council has been reached.
  - See Award Reports section D2.8 iii above for the minimum content of Award Reports.

### **3.7 Contract Extension Report**

- i. A Contract Extension Report may authorise an extension to a contract where a contract has expired and a replacement contract has not been procured in time, this delay is not attributable to the actions of the Council, and there is no option outstanding to extend the contract provided that:
  - The City Solicitor, the Chief Finance Officer and the Assistant Director Development and Commercial Finance (or their delegates) are satisfied that there is no viable alternative solution, having regard to the Public Procurement Legislation;
  - The value of the extension does not exceed £500,000;
  - Where the contract exceeds the Procurement Threshold, due regard is to be given to the circumstances in which a modification of a contract or a framework agreement is permitted under the Public Procurement Legislation.
  - The contract conditions are similar to those of the contract which has expired; and
  - There is no change to the specification to that contained in the contract which has expired.
- ii. Such Extension Report shall set out the business case and appraisal of options, the outcome of any negotiations with the contractor and the reasons why it was not practicable to complete a procurement process and award a contract prior to the expiry of the current contract.

### **3.8 Framework agreements**

- i. Where the award of a framework agreement has been approved by a Cabinet Member with a Chief Officer, or by a Chief Officer in accordance with the Procurement Governance Arrangements then Chief Officers may issue further orders under the framework agreement provided that they comply with the scope of the agreement and Framework Limits.

### **3.9 Record of decisions**

- i. The Assistant Director Development and Commercial Finance shall:
  - Maintain a record of all decisions made by Chief Officers/Directors ; and
  - Report on a quarterly basis to Cabinet on all decisions taken by Chief Officers/Directors during the previous quarter;

to which these Procurement Governance Arrangements apply. The report will be in header form listing the contract values, timescales and goods, services or works.

### **3.10 Compliance**

- ii. This process shall be consistently applied across the Council and directorates should not need to add any additional processes. The relevant Chief Officer is responsible for ensuring these Procurement Governance Arrangements are followed and all approvals required are in place before any contract is awarded.



# Procurement and Contract Management

## Report for the Resources O&S Committee

### 1 Purpose

This report provides members with an overview of the process and landscape within which Procurement and Contract management services are delivered. The report aims to address concerns raised by the Resources Overview and Scrutiny committee about the effectiveness of how contracts are procured and managed. The report sets out the actions that are in progress to minimise the risk of late procurements and the number of single contractor negotiations as well as provide an improved understanding of the process moving forward. The report considers the main concerns raised by the Committee, chiefly around:

- Adherence to procurement processes;
- The use of and need for late decisions and SCN's and
- The levels of compliance, understanding and interpretation of the constitution \ Procurement Governance Arrangements at officer and member level.

The report will also make reference to the specific points raised around the waste procurement, CAZ mitigations and National Express and address the procurement related concerns within these points.

### 2 Procurement landscape & context

Primarily, it is important to note that procurement legislation and the Council's governance arrangements are complex procedures and not straightforward with the need to account for many variables. With an organisation of the size and complexity of the Council there are invariably many dynamics and drivers at play when procurements are required. These need to be considered when navigating processes and governance arrangements to ensure that the most appropriate route to market and specification of requirements is achieved. Dependent on the nature of the requirement, procurements may also require multiple governance routes for example through DMTs, ICT Gateway, Capital Board and Cabinet plus other consultees. It is also important to note that the ability to deliver successful procurements can also vary considerably dependent on the complexity of the requirement and the time available to carry it out.

To contextualise this, the procurement service can be broadly summarised in numbers as set out below;

410 live contracts above OJEU threshold;

101 live procurement projects, the majority of which are one-off (not repeat) procurements and;

A further 58 projects that cannot be resourced at present.

146 Agreements expiring within the next 24 months.

The routes to market and associated governance are dependent on total contract value as represented in the table below.

Value	Process	Decision Maker
Upto £10k	3 quotations using suppliers registered on finditinBirmingham, use of an existing Framework <u>or</u> single \ multiple contractor negotiations process where only 1 contractor exists or where there is a unforeseen priority	Chief Officer or;  City Solicitor (or Assistant Director, Legal) and the Chief Finance Officer (or the Assistant Director Development and Commercial Finance) for SCN \ MCN.
Procurements between £10k and European Threshold (currently £189.3k)	High cost quotations process, requirement advertised on Finditinbirmingham (and Contracts Finder where a contract exceeds £25k), use of an existing Framework <u>or</u> single \ multiple contractor negotiations process where only 1 contractor exists or where there is an unforeseen priority	Chief officer with clearance from Legal, Procurement and Finance.  City Solicitor (or Assistant Director, Legal) and the Chief Finance Officer (or the Assistant Director Development and Commercial Finance) for SCN \ MCN.
Between European Threshold and £10m	Full Procurement Process using either the Open, Restricted, Competitive Dialogue Routes, Competitive Procedure with Negotiation or Innovation Partnership Direct award or mini-competition exercise using an existing Framework <u>or</u> single \ multiple contractor negotiations process where only 1 contractor exists there is an unforeseen priority.	Procurement included within a Planned Procurement Activities Report to Cabinet as part of the Sounding Out Process;  Chief Officer with clearance from Legal, Procurement and Finance. Director, Legal) and the Chief Finance Officer (or the Assistant Director Development and Commercial Finance) for SCN \ MCN.
Over £10m	As above	Cabinet

### 3 Challenges

Whilst the above dynamics in themselves can potentially lead to delays, there are a number of other considerations that can affect timely decision making and the potential need for single\multiple contractor negotiations. For example;

The procurement processes and governance arrangements are not always widely understood particularly for officers that do not deal regularly with procurement and contracting issues. There is also no mandated requirement to engage Corporate Procurement. This often means that for new requirements Corporate Procurement expertise is often engaged late in the process resulting in a pressured procurement timeline. This presents a challenge given Corporate Procurement typically start a programme 12–14 months from expiry date \ commencement date.

A number of service areas within the Council play a role in procurement projects and there can be a lack of understanding/appreciation of how long pre–procurement activities can & do take, despite online toolkits and guidance being available. The procurement process itself can be time–lined and will be as long or as short as it needs to be depending on the nature of the contract. Where pre–procurement activities have been delayed this often results in the procurement process being delayed or truncated. It is then the procurement process then becomes the focus and the implied cause of the delay or the reason for failure.

Corporate Procurement Services often experience stakeholder capacity issues whereby officers are unable to allocate enough time and effort to supporting procurements due to business as usual priorities.

Historically advance procurement planning has not been as efficient as it could have been although significant progress has been made over recent months to improve advance planning.

There can be urgent and unforeseen procurements arising as a result of new funding, policy initiatives or business changes the majority of which are one off and need to be implemented to constricted timescales. This can also result in the de–prioritisation of other more routine procurements.

Organisational restructures, business, staffing and funding changes, meaning that procurements cannot commence until such changes are complete.

Further details are included within the indicative procurement timeline and responsibilities set out in Appendix 1 for routine re–procurements.

### 4 Specific concerns raised by Overview & Scrutiny

The specific concerns raised by the Committee are addressed where possible in the commentary below.

1. **Taking account of policy change:** at the last meeting an item of urgent business was raised in relation to the publication of an OJEU notice for the procurement of waste treatment services. The concern was that the delegated authority to commence

procurement activity had been given in a February 2018 Cabinet report, more than a year before the council had declared a climate emergency which the OJEU makes no reference to, and this raised questions about what the procedure is for reviewing processes to ensure account is taken of any changes in council policy.

The Council's standard contractual documentation does include a requirement to comply with relevant Council policies and any subsequent changes made over time with any significant policy changes being dealt with through contractual variations. This ensures that suppliers are cognisant of the most up to date requirements.

2. **Clarity on the requirements of the procurement arrangements and whether these are being followed:** the call-in meeting on 10<sup>th</sup> February discussed the decision to enter into Single Contractor Negotiations for the provision of a Clean Air Zone mitigations application and case management system. This raised questions about whether the arrangements for procurement set out in Part D3 had been followed, and some confusion about what requirements applied.

Following the O&S session it was agreed that the Constitution would be made clear on how these SCNs are approved and ensure that appropriate approval routes are adhered to regarding signing off report.

3. **Timeliness of procurement decisions:** this has arisen multiple times, including the re-procurement of the waste management contract (subject of a call-in by this committee in January 2019); the emergency decision taken in December 2019 in relation to the National Express bus depot relocation; and was in issue in the Clean Air Zone mitigations application referred above. In each of these cases, the need for a quick decision overrode other good governance or transparency requirements. It is unclear why this is a recurring issue and is perhaps related more to contract management rather than procurement processes but does raise questions regarding how service areas and Corporate Procurement Services work together to ensure compliance.

Corporate Procurement Services and service areas typically work extremely well together on procurement and contract management activity. As referred to above and included within the responsibilities set out in Appendix 1, a lead from the service area is essential when drafting specifications, performance indicators, tender questions and evaluating tenders. If service areas are experiencing availability or capacity issues due to business as usual activity, then this is typically where delays in the procurement process can occur despite best endeavours from both Corporate Procurement and the Service to mitigate these.

This report cannot respond on the concerns raised relating to the Emergency Cabinet Report in December regarding the acquisition of the National Express site as this decision related to a property acquisition and not a procurement matter.

## 5 Rectification action taken

The issue of delayed procurements, urgent and late reports can never be fully eradicated, but Corporate Procurement recognise that there are always opportunities to improve. The recent

Procurement Maturity Assessment review undertaken by PriceWaterhouseCoopers (PwC) has made a series of recommendations that can be taken forward following business case approval. The key themes from this review and other additional actions to improve are summarised below.

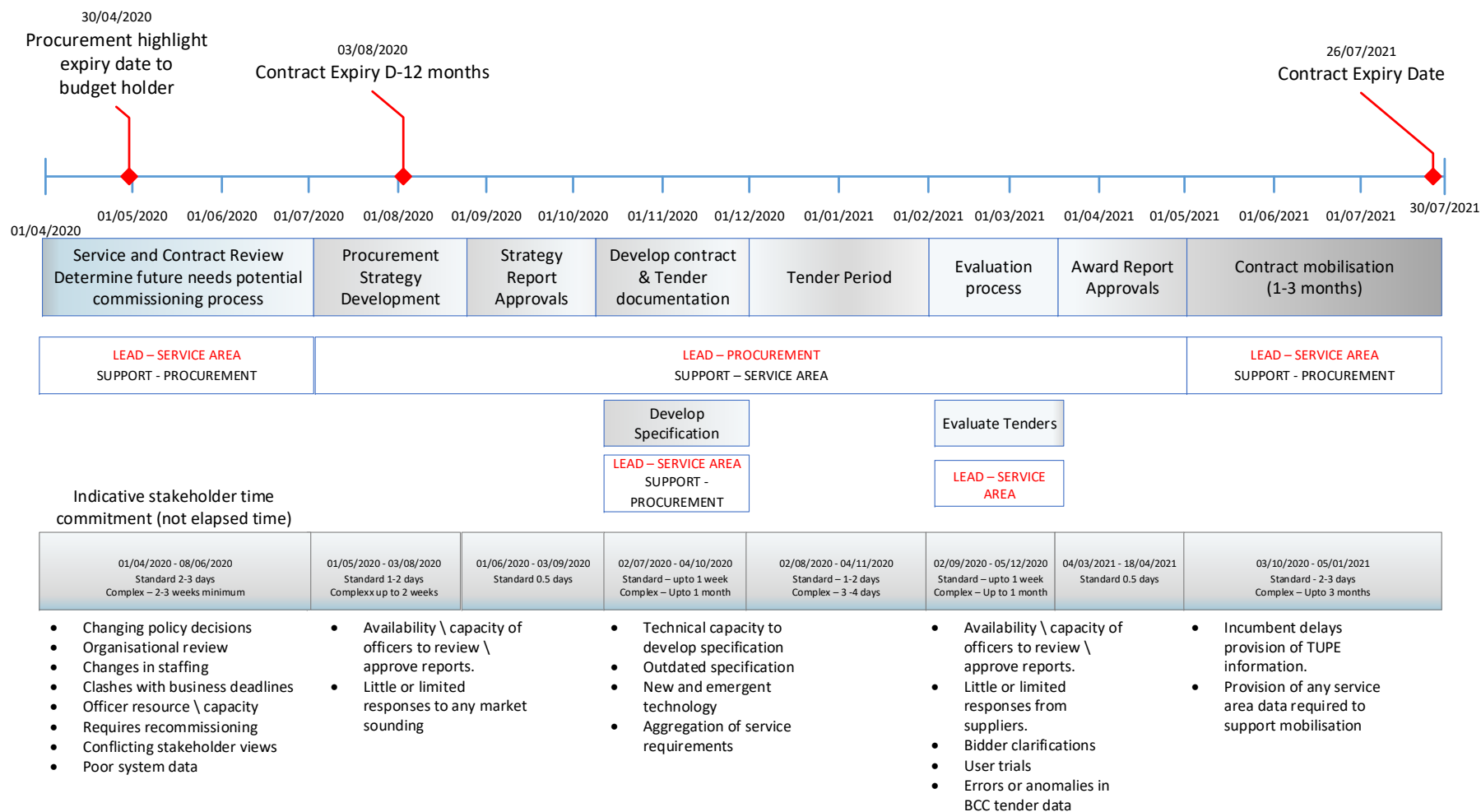
The need for a clear Council wide understanding on the split of activities between Corporate Procurement and its customers and an improved understanding of the process and timescales from identifying a need for goods/services through to contract commencement. Raising awareness of this will help to avoid delays, late starts, SCNs and urgent reports.

Concluding the Annual Review of the Constitution from a Procurement perspective with a view to tightening the wording \ requirements to provide absolute clarity on the governance arrangements.

Delivering improvements to Procurement Planning through ongoing bi-weekly reviews of all live contracts by expiry to ensure timely commencement of re-procurement activity such as identification of outcomes and future needs analysis, options appraisals, confirmation of budget \ budget adjustments.

Implementing the recommendations from the PwC Review which may include delivery of a new target operating model and structure for the service. This includes providing training and awareness sessions for service leads and budget holder where appropriate and delivering a more streamlined improved process. A more consolidated rationalised supplier base will be achieved through the implementation of the 1B ERP programme.

## Appendix 1 - Boilerplate Procurement Timescales, responsibilities and potential obstacles



# Birmingham City Council

## Report to Cabinet

17 March 2020



**Subject:** **Birmingham 2022 – Update of Perry Barr Regeneration Scheme FBC**

**Report of:** Interim Director Inclusive Growth

**Relevant Cabinet Member:** Cllr Ian Ward, Leader; Cllr Tristan Chatfield, Finance and Resources.

**Relevant O & S Chair(s):** Cllr Mariam Khan, Learning, Culture and Physical Activity, Cllr Lou Robson, Economy and Skills; Cllr Penny Holbrook, Housing and Neighbourhoods, Cllr Sir Albert Bore, Resources.

**Report author:** James Hamilton, Project Director  
Telephone No: 07483 130025  
Email Address: James.Hamilton@birmingham.gov.uk

Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s): Perry Barr, Aston, Birchfield		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007294/2020		
Is the decision eligible for call-in?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<p>The Report is recommended to be exempt from call in for the following reasons:</p> <ol style="list-style-type: none"> <li>1. The PBRS programme has critical milestones that need to be met to achieve the commitments made by BCC to host the Birmingham 2022 Commonwealth Games;</li> <li>2. With respect to above, all PBRS plots need to be completed and handed over to the OC prior to 31 March 2022;</li> <li>3. Plot 1 is on the critical path and will provide 670 beds for Games Time</li> <li>4. Negotiations with the recommended contractor for Plot 1 have now been concluded and contract execution is required by no later than 20 March 2020 in order to commence works on site on 30 March 2020 and thereafter maintain programme;</li> <li>5. Approval of the RFBC is required to allow BCC to enter into contract with the recommended contractor by this latest date (20 March 2020).</li> </ol>		

Does the report contain confidential or exempt information? ☐ Yes ☒ No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:

## 1 Executive Summary

- 1.1 This report sets out the progress made to date on the delivery of the Perry Barr Regeneration Scheme (PBRs) since the approval under delegated authority of the Full Business Case (FBC) on 6 June 2019, and seeks approval to the Revised FBC as set out in Appendix 1 of this report.
- 1.2 Substantial progress has been made in the delivery of the PBRs, with more than 90% of the land required for either accommodation or wider infrastructure improvements now in Council control. Contracts are also in place for the construction of 72% of the 6500 bed spaces required by the Birmingham Organising Committee for the 2022 Commonwealth Games Ltd (OC). The bed spaces are for athletes and officials during the Games.
- 1.3 Progress against the PBRs has been reported through the Commonwealth Games and Council governance arrangements, with key participants including Department of Culture Media and Sport (DCMS) and the Organising Committee (OC). The Council has maintained a robust approach to cost management and control.
- 1.4 In spite of this focus, cost pressures have emerged as a result of the overheated local market, through construction cost price inflation, the demand for construction workers in the Perry Barr area and a fixed delivery date. To mitigate this, design changes had been made including the omission of Plot 2 and incorporation of lost bed spaces in remaining plots. Overall the scheme delivers 97% of the bed space requirements as set out in the Host City Contract, and the OC have stated that it should be possible to manage this small shortfall through effective scheduling of sporting activities.
- 1.5 The table below summarises the emerging cost pressures before mitigation.



Cost pressures before mitigation	Value (£m)	Comments
Increased cost of relocating National Express bus depot.	15.7	Includes construction costs to replace bus depot (£13.8m) and Job Centre relocation (£1.9m)
Increased Housing Construction Costs	48.4	Reflects construction costs inflation due to overheated construction market in Birmingham
Increased Contingency	19.7	This increase in contingency, along with the £10.3m approved in the June 2019 FBC, provides an overall contingency of £30m.
Other minor variations	8.0	This net position includes financing costs and costs arising from other pressures e.g. soil removal plus additional scope items (Oscott Gardens refurbishment).
<b>Funding Pressure before mitigations</b>	<b>91.8</b>	
Preparation for legacy	25.0	Funded from enhanced disposal proceeds.
<b>Net cost increase</b>	<b>66.8</b>	

- 1.6 In order to mitigate the above cost pressures, nine options were identified, evaluated and quantified in order deliver to programme. Following the detailed appraisal, a preferred option has been selected based on its deliverability, cost efficiency and benefits.
- 1.7 The recommended option to mitigate cost pressures and deliver to programme is as set out below.
- 1.8 Preparation for legacy retrofit and demolition / remediation costs, estimated at £25m, are to be de-scoped from the core PBRS proposals. These will be funded post Games from enhanced disposal proceeds. This will be delivered from the disposal of residual plots and sites used during Games time for overlay purposes. This reduces the funding gap for Games time to £66.8m.
- 1.9 Accommodation is to be delivered through Plots 1, 3, 4, 5, 6, 7, 8, and 9, plus Oscott Gardens, but plot 11 is to be de-scoped for reasons of poor value for money. This will deliver a further nett saving of £7m. This option would enable the Council to deliver 6,320 (97%) of the required 6,500 bed spaces as set out in the Games Host City Contract. The Council are in discussions with the OC to find a resolution in respect of the scheduling of sporting activities.

1.10 In addition to the de-scoping of Plot 11, the following considerations should be noted:-

- There is a requirement in relation to the transport mall and associated public realm, and carpets and bedroom locks for which discussions are on-going with partners in line with the principle that BCC is not responsible for the funding of temporary works that do not deliver a legacy benefit;
- Increased Council contributions to the overall costs of the scheme of £35.7m including the Bus Depot overspend (£15.7m), to be funded from Capital Contingency Fund and the residual funding gap (£20m) to be funded from windfall capital receipts;
- The overall impact of these proposals will result in a reduction in borrowing costs of £2.1m, thus fully resolving the identified funding gap.

1.11 The table below summarises revised financial position associated with this option.

	<b>Funding Gap £'m</b>	<b>Direct Games Impact</b>	<b>Comments</b>
Net cost Increase (Current Gap)	<b>66.8</b>		
De-scope Plot 11	(7.0)	Shortfall of 184 bed spaces	Gross costs avoided of £14m, offset by £7m of disposal proceeds
Fund National Express (NX) overspend from capital contingency	(15.7)	None	Includes construction of replacement JobCentre Plus and NX bus depot
Non-BCC funded items (carpets, bedroom locks etc)	(7.0)	None	Only required for Games-time
Contingency	(15.0)	None	Reduces contingency to £15m
Consequential reduction in borrowing costs	(2.1)	None	
<b>Residual Gap</b>	<b>20.0</b>		Funded from windfall capital receipts

## 2 Recommendations

- 2.1 Approves the Revised FBC for the PBRs as set out above and in Appendix 1 of this report.
- 2.2 Notes that subject to the approval of this report Lendlease Construction Ltd (LLC) will enter into a contract with a Tier 1 contractor for the delivery of Plot 1.
- 2.3 Authorises the application for additional grant funding, if opportunities arise, from partners including Homes England and Government, and approve the drawdown of such additional grant funding if made available, subject to existing Games governance arrangements.
- 2.4 Notes the progress made on the delivery of the PBRs as set out in section 3 of this report.
- 2.5 Authorises the City Solicitor to execute and complete all necessary legal documents to give effect to the above recommendations.

## 3 Background

- 3.1 This report is an update to the PBRs FBC approved on 6 June 2019, and provides a progress update of the work undertaken since then.
- 3.2 The PBRs consists of three major projects:
  1. Phase 1 Residential Scheme – construction of residential units to house athletes during Games time and provide legacy benefits;
  2. Games time village – delivery of sites to be temporarily developed by the OC for Games time operations;
  3. Wider regeneration – delivery of highways improvement and public transport enhancement works.
- 3.3 Since June 2019, the Council has progressed in line with the intent set out in the FBC. Progress is summarised below:-
  - LLC has been appointed under a Construction Development Agreement (CDA) to manage the delivery of the Phase 1 residential scheme;
  - Land assembly is well advanced across the PBRs with more than 90% of land now in Council ownership. All of the industrial units at Holford Corner (location for the Games time transport mall) have been acquired or vested and are now in Council ownership;
  - Over 80% of the houses on Wellhead Lane (land required for Games time operations) have either been acquired or had a price agreed. The remaining properties will be vested by 18th May 2020;
  - Contracts have been executed and work has commenced on site for four plots (plots 6, 7, 8 and 9) which will deliver 72% of the bed spaces required for Games time;

- Negotiations have progressed well with the remaining non-contracted Tier 1 contractors for the construction of the Phase 1 residential developments (plots). Plot 1 is well advanced and the Council will be in a position to enter into contract subject to approval of this report;
- The design maturity has increased to give a greater level of confidence through a more detailed understanding of the complexity, pricing and construction timescales;
- Welfare and training facilities have been constructed, and are in operation at the Phase 1 residential development site;
- The FBC for the A34 Highways Works (Committee Management Information System ref. 006885/2019) was approved by Cabinet on 17 December 2019 and the scheme is progressing.

3.4 The following challenges have been experienced:

- An agreement has been reached with NX for the relocation of their bus depot, which is crucial to the success of the scheme (the current bus depot site will be used as a key part of Games-Time operations). There was however an increase of £15.7m from the costs provided in the FBC driven primarily by an increase in the estimated costs to construct a replacement depot. This cost has now been agreed with NX and is no longer at risk of increasing unless there are additional costs incurred by NX as a result of BCC defaulting under the terms of the funding agreement.
- The cost of residential development in the region has continued to increase due to an overheating construction market, resulting in construction cost price inflation of £48.4m compared to costs identified in the FBC.

3.5 The Council has actively reviewed the cost, schedule and scope of the Phase 1 residential scheme to ensure that the approach and methodology for delivering the scheme is achieving value for money. As such, Plot 2 has been removed from the FBC scope and will be developed post Games and the bed spaces which would have been provided for Games time have been redistributed across Plots 8 and 9. It is also proposed to defer the delivery of Plot 11 to post Games, resulting in a manageable shortfall of 184 bed spaces for Games time and realising a net saving of £7m. The Council are in discussions with the OC to find a resolution in respect of the scheduling of sporting activities.

3.6 The benefits of the Games stretch beyond the display of a world class sporting event, as there are also key legacy benefits which include the regeneration of Perry Barr to become one of the most vibrant, dynamic and well connected parts of Birmingham. The long term benefits remain on track to be successfully delivered. Whilst these benefits are key to driving growth across the City, the Council has been clear that the cost of delivery cannot

be a detriment to the core services of the Council and should not place financial strain upon the citizens of Birmingham.

- 3.7 The Council has been robust in its management of the costs across the scheme, working collaboratively with the Government and Games Partners through established Commonwealth Games governance arrangements.
- 3.8 The Council has reviewed the delivery and commercial models for the scheme, this paper sets out the appraisal undertaken to identify viable and practical delivery options, which only marginally scale back Games time deliverables, whilst maintaining their obligations to the OC and the commitment to delivering legacy benefits for the City.
- 3.9 Nine options for the scope of the scheme were identified of which three were considered as deliverable.
- 3.10 Analysis was undertaken to understand the most efficient and affordable delivery approach. Following the initial assessment, the three deliverable options were considered in greater detail before drawing conclusions and making recommendations; detailed in Appendix 1.
- 3.11 Following the detailed appraisal, a preferred option has been selected based on its deliverability, cost efficiency and benefits. The preferred option is Option 2, Deliver Plots 1, 3, 4, 5, 6, 7, 8, and 9.

#### 4 Options Considered and Recommended Proposal

- 4.1 The options appraisal has focused on the emerging cost pressures associated with the Phase 1 Residential Scheme. The nine options assessed considered the following:
  - Reputational risk to the Council: removing plots from the scope of the residential scheme and re-housing athletes and their support teams during Games time in accommodation elsewhere in the City is likely to have a reputational impact to the Council. Whilst obligations to OC can be met, the inability to house all athletes/support teams at the Games Village, within close proximity to the Alexander Stadium is likely to damage the reputation of the Council. Of particular concern is the additional cost and complexity of maintaining the safety and security of the athletes, and officials.
  - Logistics of transporting athletes/teams: the Games Village is located within one mile of the Alexander Stadium, where the opening and closing ceremonies and some of the key sporting events will take place. The close proximity of the Village to the Stadium enables an efficient and cost effective solution to Games time logistics in terms of transporting athletes to and from their events and training sessions.

- Proximity to facilities: welfare facilities, training facilities and the international zone for the friends and families of the athletes will all be located in the immediate vicinity of the Games Village.
- Accommodation specification: the alternative accommodation used to re-house the athletes displaced by the plots removed from scope will be required to meet the specification set by the OC. Contingency plans in this event involve re-housing athletes in alternative accommodation elsewhere.

4.2 The table below sets out a summary of all the options considered. The subsequent section provides further detail associated with the deliverable options. All options assume Plot 2 and Plot 10 remain de-scoped, with the plot 2 bed spaces included within redesigned plots 8 and 9. All options, with the exception of Option 3, assume Oscott Gardens refurbishment remains in scope to deliver approximately 400 bed spaces for Games time.

Option	Description	Capital Cost	No. beds de-scoped	Deliverable
Option 1	Deliver Plots 1, 3, 4, 5, 6, 7, 8, 9 and 11 (as per FBC, June 2019)	£314m	-	✓
Option 2	Deliver Plots 1, 3, 4, 5, 6, 7, 8 and 9. De-scope Plot 11	£300m	184 (3%)	✓
Option 3	Deliver Plots 1, 3, 4, 5, 6, 7, 8, 9 and 11. De-scope Oscott Gardens	£314m	419 (6%)	
Option 4	Deliver Plots 3, 4, 5, 6, 7, 8, 9 and 11. De-scope Plot 1	£282m	670 (10%)	
Option 5	Deliver Plots 3, 4, 5, 6, 7, 8 and 9. De-scope Plots 1 and 11.	£269m	854 (13%)	✓
Option 6	Deliver Plots 6, 7, 8 and 9. De-scope Plots 1, 3, 4, 5 and 11	£254m	1,416 (22%)	
Option 7	Deliver Plots 1, 6, 7, 8 and 9. De-scope Plots 3, 4, 5 and 11	£286m	746 (11%)	
Option 8	Deliver Plots 1, 6, 7, 8, 9 and 11. De-scope Plots 3, 4, and 5	£299m	562 (9%)	
Option 9	De-scope all residential plots Assumes range of 30-40% of committed costs. Further costs may be incurred including potential handback of funding grants	min £93m	6,086 (94%)	

4.3 Three options (highlighted in grey in the table) were identified as deliverable. Risks and opportunities associated with each option were considered,

taking into account the Council's obligations within the Host City Contract and conditions associated with funding agreements. Reputational risk for both the Council and the Games was also considered including the potential loss of private sector revenue from Games sponsors and broadcasters in the event of deliverability concerns.

4.4 The options were discussed with relevant stakeholders and have been appraised taking account of the delivery consequences to others, e.g. the (DCMS), OC, Transport for West Midlands, (TfWM) and WMCA. The other options were discounted on a cost/ benefit basis.

4.5 The de-scoping of Plot 1 was specifically discounted due to the impact of the loss of 670 bed spaces and the likelihood that the OC would be entitled to claim for compensation or increased costs for providing bed spaces elsewhere. Early indications are that this would be in the region of £9.3m. Furthermore, there is the likelihood of:-

- Reducing overall certainty and confidence with the existing Tier 1 contractors;
- Reducing the long term market value of the residential scheme;
- Reducing the overall number of jobs created in the area as well the loss of opportunity to use local labour and local supply chain.

#### 4.6 Summary of Options:-

4.6.1 Option 1, Deliver Plots 1, 3, 4, 5, 6, 7, 8, 9 and 11. This option considers maintaining the scope of the scheme as per the FBC which was approved in June 2019. This option would enable the Council to meet its obligations of the Host City Contract – to provide 6,500 bed spaces for athletes and officials at Game-Time.

4.6.2 Option 2, Deliver Plots 1, 3, 4, 5, 6, 7, 8 and 9 and de-scopes Plot 11: this option delivers 97% of the bed space requirements as set out in the Host City Contract, and it is expected that it should be possible to manage this small shortfall through discussions with OC where we are looking to find a resolution in respect of the scheduling of the sporting activities.

4.6.3 By de-scoping Plot 11, it removes the worst value for money plot on the residential development which also has an uncertain legacy benefit post-Games. By deferring the delivery of Plot 11 until post-Games, it will be possible to secure an end-user in advance of delivery, and to ensure that the property constructed is optimised for its legacy use.

4.6.4 Option 5 - Deliver Plots 3, 4, 5, 6, 7, 8 and 9 and de-scope Plots 1 and 11: This option comprises a number sub-elements:

- Plots 6, 7, 8 and 9 have already been contracted to be delivered.

- Plots 1 and 11 would in this option be immediately de-scoped and completed post-Games. As a result, the Village would be 854 bed spaces short at Games time against its target of 6,500 bed spaces. Preliminary discussions with the OC have been undertaken and precautionary provisions have been made to re-house the displaced athletes at alternative accommodation should this option be necessary.
  - Plots 3, 4 and 5 will be developed for the Games and the decision of using modular or traditional building techniques will be made by end of May 2020. These plots will provide family homes that will be transferred to the HRA post Games and form part of the 22% affordable housing of the scheme.
- 4.7 The Council, in conjunction with the WMCA and TfWM will continue to progress with plans to improve transport links to and around Perry Barr.
- 4.8 The highway and transport improvements including demolition of the A34 flyover, improved road layout for local citizens and through-traffic, improved public transport including 'Sprint' buses and the enhancement of Perry Barr station are essential and crucial for the legacy scheme but also at Games time to provide an acceptable visitor experience.
- 4.9 The associated improvements to accessibility and public realm are considered essential for the Games time visitor experience.
- 4.10 The impact of not proceeding with the delivery of the A34 Highway, public transport and public realm improvements is: -
- That the extensive demolition in the area and the failure to deliver Birchfield Island and associated public realm improvements would be unattractive to future developers;
  - The Council would fail to realise the potential disposal value of plot 10 (Gailey Park) as it would remain locked within a busy traffic island. This would result in the loss of over 200 residential units and would fail to deliver the number of dwellings for which planning approval has been granted;
  - The existing highway infrastructure would be unable to accommodate the improved public transport facilities required to support the development;
  - The low parking provision of the residential scheme and the desired modal shift to greater use of public transport would not be achievable without the introduction of the highway and transport improvements, diminishing the environmental credentials of the scheme;
  - The market value of the residential scheme would be lower, resulting in significantly diminished capital receipts that would not yield enough savings to match the cost of construction.



- 4.11 It is recommended to deliver option 2: Plots 1, 3, 4, 5, 6, 7, 8 and 9, thereby delivering the housing growth, highways and public transport improvements and the requirements for the Games Village which enables the Council to substantially deliver its obligations within the Host-City Contract.
- 4.12 This option is consistent with delivering an improved sustainable environment within the Perry Barr centre and act as a catalyst to generate further development opportunities and deliver future growth in the area. It is anticipated that a significant number of additional new homes will also be delivered across the wider area over the next 15 years and further improve the commercial viability of the residential scheme being built.
- 4.13 Delivering Plot 1 prior to the Games is considered vital to the enhancement of development value within the scheme and will provide longer term legacy benefits for the delivery of additional housing within the Perry Barr area. It will also avoid the need for additional substantial provisions to be made by the OC for a 'satellite village' during Games time and the associated costs and logistics needed to support it.
- 4.14 The Council will be able to take advantage of the £148.3m Commonwealth Games Athletes' Village Supporting Infrastructure grant provided directly to the Council by Ministry of Housing, Communities and Local Government (MHCLG) to support the delivery of the Games Village, highway works and wider land assembly programme.
- 4.15 In addition, a further £17m was provided to the WMCA with responsibility for delivering the new Perry Barr Station Interchange.
- 4.16 A number of additional deliverables are also required to ensure the Games time village meets the Host City requirements e.g. the provision of a Games time Transport Mall and temporary public realm finishes within the Village. Such deliverables are not BCC costs, however it may be more cost effective for the Council to deliver these schemes, subject to funding being provided by partners and being cost neutral to the Council.

## 5 Consultation

- 5.1 There is ongoing dialogue with Ward Councillors for Perry Barr, Aston and Birchfield to keep them up to date on progress of the development of the residential scheme, the associated transport and place making activity, and the regeneration of the wider area. The MP for Perry Barr has also been briefed.
- 5.2 Local people in Perry Barr have been and will continue to be kept informed of progress of schemes in the area through the Perry Barr Commonwealth Games Residents Liaison Group and Birchfield Ward Forum. There has also been significant engagement with people affected by the Compulsory Purchase Order (CPO) process. Response to the residential scheme has

been positive and local people welcome the improvements it will bring to the area.

- 5.3 The OC, DCMS and Ministry of Housing, Communities and Local Government (MHCLG) have been consulted extensively in the consideration of the options and are working closely with the Council to achieve a positive outcome.

## 6 Risk Management

- 6.1 The specific risks and considerations associated with the implementation of the scheme are set out below:

- a. Tier 1 Contractor failure e.g. insolvency, poor performance. There is a risk that the main contractor or subcontractor(s) become insolvent due to poorly performing projects and cash flow issues resulting in the project stalling and the need to re-procure a main contractor and/or sub-contractor(s). To mitigate against this financial due diligence is undertaken prior to contract award.
- b. Project Acceleration costs due to unforeseen delays. There is a risk of unforeseen delays due to the impact of severe health outbreaks e.g. coronavirus potential to reduce workforce by up to 20%, severe weather conditions, reducing the rate of progress and/or unforeseen events resulting in delays. The contingency provision will remain under active review. Current mitigation measures include: -
  - 1. Focus on supply chain – localising where possible
  - 2. Workforce resilience – identifying additional sources of manpower
  - 3. Extended hours – introducing weekend and evening working to stay on programme
  - 4. Smarter/agile working – providing the tools to ensure staff are able to work remotely
  - 5. Reinforcing good health and hygiene practice
- c. Logistics Pressures due to a number of contractors working on site and in the Perry Barr area. There is a risk that site access, labour, materials etc. are restricted for construction traffic due to other construction works taking place in the Perry Barr area. An integrated transport management plan including construction demand across the area is being developed.

- 6.2 Further, it is proposed that options are explored with partners to identify a suitable funding solution that increases the level of contingency for the project to around £40m, commensurate with the size and complexity of the scheme.

- 6.3 The Council is continuing to explore additional funding opportunities from commercial developments in Perry Barr and any opportunities for any further grant funding to de-risk the scheme.

## 7 Compliance Issues

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

7.1.1 The proposed development at Perry Barr is in line with the Council's plans for growth as set out in the Birmingham 2031 Development Plan. The Village forms the first phase of significant proposals for Perry Barr.

7.1.2 This proposal is also consistent with the Council's Vision and Forward Plan 2018 – 2022 key priorities:

- **Birmingham is an aspirational city to grow up in** – the redevelopment of Perry Barr will lead to a step change in the local Neighbourhood and ensure a safe, warm, sustainable and connected environment in which our children can thrive;
- **Birmingham is a great city to live in** – the Council is committed to the development of enough high quality new homes to meet the needs of a growing city, and the proposals within this report seek to support housing growth in the city;
- **Birmingham is an entrepreneurial city to learn, work and invest in** – activity within the construction sector will create jobs and apprenticeships in the city, and activity in the supply chain industries, supporting the local economy through the Birmingham Business Charter for Social Responsibility;
- **Birmingham is a fulfilling city to age well in** – the links between health and housing are well recognised. The scheme will see the construction of new thermally efficient, economical to run new homes which are designed to high standards of quality and internal space standards, will be more affordable for residents and will offer a higher quality of life leading to better health outcomes. The social value targets agreed between the Council and LLC have a number of Green and Sustainability targets and performance management metrics to ensure they are being achieved.

### 7.1.3 Benefits

Birmingham residents will gain the maximum benefit from hosting the Commonwealth Games – the development of accommodation for athletes will assist with improved housing together with the regeneration of Perry Barr will provide benefits to Birmingham residents.

## 7.2 Legal Implications

7.2.1 The Localism Act 2011 aims to facilitate the devolution of decision-making powers from Central Government control to individuals and communities. Section 1 of the Act contains the City Council's general power of competence. Section 111 of the Local Government Act 1972 contains the Council's subsidiary financial powers in relation to the discharge of its functions.

### 7.3 Financial Implications

7.3.1 The Revised FBC for the PBRs attached as Appendix 1 to this report sets out the updated details of anticipated costs and funding for delivery of the scheme, including gross capital investment of £541.5m and total net contributions from the Council to fund this investment of £35.7m.

7.3.2 The overall approach to mitigate funding pressures that have arisen since the approval of the FBC for the scheme on 6 June 2019 is set out in the following table:

	<b>Funding Gap £'m</b>	<b>Direct Games Impact</b>	<b>Comments</b>
Net cost Increase (Current Gap)	<b>66.8</b>		
De-scope Plot 11	(7.0)	Shortfall of 184 bed spaces	Gross costs avoided of £14m, offset by £7m of disposal proceeds
Fund NX overspend from capital contingency	(15.7)	None	Includes construction of replacement JobCentre Plus and NX bus depot
Non-BCC funded items (carpets, bedroom locks etc)	(7.0)	None	Only required for Games-Time
Contingency	(15.0)	None	Reduces Contingency to £15m
Consequential reduction in borrowing costs	(2.1)	None	
<b>Residual Gap</b>	<b>20.0</b>		Funded from windfall capital receipts

7.3.3 It is considered that a contingency of £15m for a programme of this scale and complexity maybe insufficient and a more appropriate level would be in the region of £40m. We are in discussion with partners to identify the appropriate size, shape and funding arrangements for this level of contingency.

#### 7.4 Procurement Implications (if required)

7.4.1 The recommendations made in this report are in line with the intent set out in the procurement approach detailed in the FBC (June 2019).

#### 7.5 Human Resources Implications (if required)

7.5.1 The Council is providing support, skill and expertise from within existing resources. Where there is a gap in these resourcing requirements, external resource and services have been engaged. These include:-

- Programme Sponsor
- Accounts and Financial support services
- Programme/Project Management skills
- Site assembly and property acquisition consultancy services
- Demolition and remediation consultancy services
- Project Management Office skills

7.5.2 There are no TUPE implications with this project.

#### 7.6 Public Sector Equality Duty

7.6.1 The equalities implications for the development of the Commonwealth Games Village were set out in the report to Cabinet dated 14th November 2017, updated in June 2018 and then again in March 2019 and presented as part of the approval of the FBC jointly by Cabinet Member and Chief Officer, on 6 June 2019, and the same continues to apply. No material considerations were identified and continue to apply to the report recommendations as they do not have any adverse impact on the protected characteristics and groups under the Equality Act 2010.

### 8 Appendices

#### 8.1 List of Appendices accompanying this report:

Appendix	Title
Appendix 1	Update to the PBRs Full Business Case

### 9 Background Documents

Joint Cabinet Member Chief Officer Report approved 6 June 2019 - Perry Barr Regeneration Scheme Full Business Case.

Report to the Interim Chief Executive approved 30 December 2019 –  
Commonwealth Games – National Express Bus Depot Relocation

Report to Cabinet approved 11 February 2020 – Commonwealth Games –  
Athletes Village Update (Contracting of Plot 7)

## Revised Full Business Case (RFBC)

### Update to Economic, Financial and Commercial Cases

#### A. GENERAL INFORMATION

##### A1. General

<b>Project Title</b> <i>(as per Voyager)</i>	<b>Birmingham 2022 Perry Barr Regeneration Scheme</b>		
<b>Voyager code</b>	Various		
<b>Portfolio /Committee</b>	Leader's Portfolio	<b>Directorate</b>	Inclusive Growth
<b>Approved by Project Sponsor</b>	Ian MacLeod	<b>Approved by Finance Business Partner</b>	Guy Olivant

##### A2. Business Case approvals *(Date and approving body)*

This document is an update to the Economic, Financial and Commercial Cases of the Perry Barr Regeneration Scheme (PBRs) Full Business Case (FBC), approvals to date as below:

- The Outline Business Case (OBC) was approved by Cabinet on 26 June 2018, and;
- The Full Business Case was approved through delegated authority by the Cabinet Member and Chief Officer on 6 June 2019.

##### A3. Project Description

This Revised Full Business Case (RFBC) is an update to the FBC for the PBRs which was approved through delegated authority by the Cabinet Member and Chief Officer on 6 June 2019.

This document is an update to the Economic (Options Appraisal), Financial and Commercial Cases, and provides a progress update of the work undertaken and changes to the scheme since FBC approval in June 2019. All other information remains unchanged from the FBC and is therefore not detailed in this document.

##### Overview

The PBRs is formed of three major projects:

**1. Phase 1 Residential Scheme:** the construction of 1,151 residential units, across eight plots at the Perry Barr site, which will accommodate approximately 5,900 of the total of 6,500 athletes during Games time. The refurbishment of Oscott Gardens provides a further c.400 Games time bed spaces bringing the total provision to 6311 (97%). Plots 2, 10 and 11 will be developed post-Games to deliver an additional 263 residential units.

The table below sets out the revised deliverable residential units per plot as a result of the design development since June 2019.

Plot	Property type	Residential units (FBC June 19)	Commercial units (FBC June 19)	Residential units (RFBC)	Commercial units (RFBC)
Plot 1	Apartments	122	3	125	3
Plot 2 (Post Games)	Houses (RFBC)	92	-	18	-
Plot 3, 4 & 5	Houses	69	-	58	-
Plot 6	Apartments	268	1	268	1
Plot 7	Apartments	267	5	270	3
Plot 8	Apartments	158	-	217	-
Plot 9	Apartments	172	-	213	-
Plot 10 (Post Games)	Apartments	239	-	209	-
Plot 11 (Post Games)	Apartments	28	2	36	2
Total		1,415	11	1,414	9

**2. Phase 2 Games time Village:**

This project will deliver the land and infrastructure to enable the Birmingham 2022 Commonwealth Games Organising Committee (OC) to construct the temporary facilities required for Games time operations. Key Games time facilities include:

- Dining Hall: acquisition and demolition of the houses currently located on Wellhead Lane, clearing and preparation of the land to the OC's requirements.
- Games time Operations Centre: acquisition and relocation of the National Express Bus Depot and Job Centre Plus units currently located at Aston Lane. Clearing of the land and handover of the buildings for use by the OC.
- Transport Mall: acquisition and demolition of the Holford Corner industrial units, commonly known as Midland Chromium, clearing and preparing the land to the OC's requirements.

This project will also undertake refurbishment works to the former Birmingham City University (BCU) student campus, Oscott Gardens, in order to provide an additional c.400 bed spaces for athletes and their support teams during Games time. Post Games, Oscott Gardens will be demolished for redevelopment.

**3. Wider Regeneration:** the acquisition, demolition and remediation of land to enable the delivery of a series of highways improvements (A34 Highway Works and A34 Sprint incl. flyover demolition), public transport enhancements including the redevelopment of Perry Barr Rail Station and bus interchange, and improvements to Perry Barr Public Realm.

**Update since FBC approval, 6 June 2019**

Since June 19, the Council has progressed in line with the intent set out in the FBC. Progress is summarised below:

- Lendlease Construction Ltd (LLC) has been appointed under a Construction Development Agreement (CDA) to manage the delivery of the Phase 1 residential scheme;
- Design maturity of the scheme has increased to give a greater level of confidence through a more detailed understanding of the complexity, pricing and construction timescales;
- Negotiations have progressed well with Tier 1 contractors for the construction of the Phase 1 residential developments (plots);
- Contracts have been executed for four plots (6, 7, 8 & 9). On-site work has commenced;
- Final negotiations with the proposed Tier 1 Contractor for Plot 1 are well advanced and the Council will be in a position to enter into contract by 20 March 2020 to commence on site 30 March 2020;
- Land assembly is well advanced across the Perry Barr Regeneration scheme with more than 90% of land now in Council ownership;
- All of the industrial units at Holford Corner (location for the Games time transport mall) have been acquired or vested and are now in Council ownership;
- Over 80% of the houses on Wellhead Lane (land required for Games time operations) have either been acquired or had a price agreed. The remaining properties will be vested by 18th May 2020;
- Welfare and training facilities have been constructed, and are in operation at the Phase 1 residential development site;
- The FBC for the A34 Highways Works (ref. 006885/2019) was approved by Cabinet on 17 December 2019 and the scheme is progressing.

The following challenges have been experienced:

- An agreement has been reached with National Express for the relocation of their bus depot, which is crucial to the success of the scheme (the current bus depot buildings will be used as a key part of Games time operations). There was an increase of £15.7m from the costs provided in the FBC driven primarily by an increase in the estimated costs to construct a replacement depot. This cost has been agreed with National Express and is no longer at risk of increasing, unless BCC default under the terms of the agreement.
- The cost of residential development in the region has continued to increase due to an overheating construction market, resulting in construction cost price inflation for full delivery of the scheme as envisaged in June 2019 of £48.4m.



To address the emerging cost pressures, the Council has progressively reviewed the cost, schedule and scope of the Phase 1 Residential scheme to ensure that the delivery approach and methodology will achieve the best possible value for money. A further two of the original eleven plots have been removed from Games time scope; Plots 2 and 11 will now be developed post-Games along with Plot 10. The Plot 2 bed spaces which would have been provided for Games time have been included in a revised design for Plots 8 and 9. Minor amendments to the number of bed spaces have been made across the other plots, as a result of design development. It is considered that the remaining shortfall of 184 bed spaces can be managed through discussions with the OC where we are looking to find a resolution with respect to scheduling of the sporting activities.

Procurement of Tier 1 contractors for the construction of each of the residential plots to be developed has progressed following competitive tender. The status of each contract is summarised below.

Plot	Beds	Contract Status	Commentary
Plot 1	670	In negotiation	T&Cs agreed, contract to be awarded by 20 March 2020 to maintain programme.
Plot 3, 4 & 5	562	TBC	Delivery options of both modular and traditional build are being assessed. Decision by May 2020
Plot 6	1,072	Executed	Contract executed, 20 <sup>th</sup> December 2019 and work commenced on site, 13 Jan 2020
Plot 7	1,354	Executed	Contract executed, 17 <sup>th</sup> February 2020 and work commenced on site, 24 <sup>th</sup> February 2020
Plot 8	1,148	Executed	Contract executed, 8 <sup>th</sup> January 2020 and work commenced on site, 20 <sup>th</sup> January 2020
Plot 9	1,096	Executed	Contract executed, 8 <sup>th</sup> January 2020 and work commenced on site, 20 <sup>th</sup> January 2020

### **Summary of Updates to the Business Case**

The long term benefits remain on track to be successfully delivered.

Whilst these benefits are key to driving growth across the City, the Council has been clear that the cost of delivery cannot be a detriment to the core services of the Council and should not place financial strain upon the citizens of Birmingham.

The Council has been robust in its management of the costs across the programme. During Q3 2019, cost pressures began to emerge across the PBRs, mainly within the Phase 1 Residential scheme.

The Council continues to work collaboratively with partners to explore funding opportunities whilst maintaining the construction timetable.

The table below summarises the emerging cost pressures before mitigation.

Cost Pressures Before Mitigation	Value (£m)	Comments
Increased cost of relocating National Express Bus Depot	15.7	Includes construction costs for replacement bus depot (£13.8m) and Job Centre relocation (£1.9m)
Increased Housing Construction Costs	48.4	Reflects construction costs inflation due to overheated construction market in Birmingham

Increased Contingency	19.7	This increase in contingency, along with the £10.3m approved in the June 2019 FBC provides an overall contingency of £30m.
Other minor variations	8.0	This nett position includes financing costs and cost arising from pressures e.g. soil removal plus additional scope items (Oscott refurb)
<b>Funding Pressure before mitigation</b>	<b>91.8</b>	
Preparation for legacy	25.0	Funded from enhanced disposal proceeds
<b>Net cost increase</b>	<b>66.8</b>	

The Council has reviewed both the construction delivery and commercial models for the scheme. Section C sets out the appraisal undertaken to identify viable and practical delivery options, whilst maintaining the Council's obligations to the OC and the commitment to delivering legacy benefits for the City.

An initial assessment of nine options was undertaken, to understand the most efficient and affordable delivery approach. Following the initial assessment, three options considered deliverable were assessed in greater detail before drawing conclusions and making recommendations.

The options appraisal is detailed in Section C of this paper. The key commercial and financial implications are set out in Sections D and E, respectively.

The Strategic and Management Cases have not been updated as they remain unchanged from the FBC.

#### A4. Scope

The scope of the PBRS is included within Appendix A of the FBC, June 2019.

#### A5. Scope exclusions

See Appendix A of FBC, June 2019.

A number of scope items required for Games time are non BCC costs, however the Council may determine that it is 'best for project' that it takes delivery responsibility, subject to funding being provided by the stakeholders and these schemes being cost neutral to the Council. These scope decisions will be managed through the Change Control governance established for the Programme.

Development of plots 2, 10 and 11 are out of scope of this RFBC, as is legacy retrofit and demolition / remediation requirements.

### B. STRATEGIC CASE

*This sets out the case for change and the project's fit to the Council Plan objectives*

#### B1. Project objectives and outcomes

*The case for change including the contribution to Council Plan objectives and outcomes*

The overall objectives of the Perry Barr Regeneration Scheme remain unchanged from the FBC in June 2019.

#### B2. Project Deliverables

*These are the outputs from the project e.g. a new building with xm2 of internal space, xm of new road, etc*

The project's deliverables remain as detailed in the Perry Barr Regeneration Scheme, FBC, June 2019, with the following additions:

- (i) Provision of a new building to house the Job Centre Plus service
- (ii) Refurbishment of student accommodation acquired by the Council at Oscott Gardens
- (iii) Additional Games time requirements, incl. floor coverings, locks for bedrooms, accessible living areas (bedrooms and bathrooms), additional FM support services, Games time Transport Mall and public realm.

The Council may decide to take responsibility for additional deliverables required to ensure the Games time village meets the Host City requirements e.g. the provision of a Games time Transport Mall and temporary public realm finishes within the Village, subject to funding being provided by the appropriate stakeholders.

Plot 2 is not being delivered for Games time and has planning permission for development post-Games. The Games time bed spaces originally included within Plot 2 have been incorporated in the revised schemes for Plots 8 & 9.

#### B3. Project Benefits

*These are the social benefits and outcomes from the project, e.g. additional school places or economic benefits.*

The Project Benefits for the Perry Barr Regeneration Scheme remain unchanged from the FBC, June 2019.

#### **B4. Benefits Realisation Plan**

*Set out here how you will ensure the planned benefits will be delivered*

The Benefits Realisation Plan for the Perry Barr Regeneration Scheme remains unchanged from the FBC in June 2019.

#### **B5. Stakeholders**

The Project Stakeholders for the Perry Barr Regeneration Scheme remain unchanged from the FBC in June 2019.

### **C. ECONOMIC CASE AND OPTIONS APPRAISAL**

*This sets out the options that have been considered to determine the best value for money in achieving the Council's priorities*

#### **C1. Summary of options reviewed**

*(including reasons for the preferred option which has been developed to FBC)*

*If options have been further developed since the OBC, provide the updated Price quality matrix and recommended option with reasons.*

The options appraisal has focused on the emerging cost pressures associated with the Phase 1 Residential scheme. Nine options were identified of which three were regarded as deliverable. Appraisal was undertaken considering the following:

- Reputational risk to the Council: removing plots from the scope of the residential scheme and re-housing athletes and their support teams during Games time in accommodation elsewhere in the City is likely to have a reputational impact to the Council. Whilst obligations to OC can be met, the inability to house all athletes/support teams at the Games Village, within close proximity to the Alexander Stadium is likely to damage the reputation of the Council. Of particular concern is the additional cost and complexity of maintaining the safety and security of the athletes, and officials.
- Logistics of transporting athletes/teams: the Games Village is located within one mile of the Alexander Stadium, where the opening and closing ceremonies and the some of the key sporting events will take place. The close proximity of Village to the Stadium enables an efficient and cost effective solution to Games time logistics in terms of transporting athletes to and from their events, training etc.
- Proximity to facilities: welfare facilities, training facilities and the international zone for the friends and families of the athletes will all be located in the immediate vicinity of the Games Village.
- Accommodation specification: the alternative accommodation used to re-house the athletes displaced by the plots removed from scope will be required to meet the specification set by the OC. Contingency plans in this event involve re-housing athletes and officials.

The table below sets out a summary of the options. The subsequent section provides further detail associated with the deliverable options. All options assume Plot 2 remains de-scoped, with the bed spaces included within redesigned plots 8 and 9. All options, with the exception of Option 2, assume Oscott Gardens refurbishment remains in scope to deliver c. 400 bed spaces for Games time.

Option	Description	Capital Cost	No. beds de-scoped	Deliverable
Option 1	Deliver Plots 1, 3, 4, 5, 6, 7, 8, 9 and 11 (as per FBC, June 2019)	£314m	-	✓
Option 2	Deliver Plots 1, 3, 4, 5, 6, 7, 8 and 9. De-scope Plot 11	£300m	184	✓
Option 3	Deliver Plots 1, 3, 4, 5, 6, 7, 8, 9 and 11. De-scope Oscott Gardens	£314m	419	
Option 4	Deliver Plots 3, 4, 5, 6, 7, 8, 9 and 11. De-scope Plot 1	£282m	670	
Option 5	Deliver Plots 3, 4, 5, 6, 7, 8 and 9. De-scope Plots 1 and 11.	£269m	854	✓
Option 6	Deliver Plots 6, 7, 8 and 9. De-scope Plots 1, 3, 4, 5 and 11	£254m	1,416	
Option 7	Deliver Plots 1, 6, 7, 8 and 9. De-scope Plots 3, 4, 5 and 11	£286m	746	
Option 8	Deliver Plots 1, 6, 7, 8, 9 and 11. De-scope Plots 3, 4, and 5	£299m	562	
Option 9	De-scope all residential plots. Assumes range of 30-40% of committed costs. Further	min £93m	6,086	

	costs maybe incurred including potentially handback of funding grants.			
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Three options were identified as deliverable.

Risks and opportunities associated with the deliverable options were considered, taking into account the Council's obligations within the Host City Contract and conditions associated with funding agreements.

The options were discussed with relevant stakeholders and were appraised taking cognisance of the delivery consequences to others, e.g. the Department for Culture, Media and Sport (DCMS), OC, TfWM and WMCA.

The financial impact of the deliverable options is provided in Section E. Options 3, 4, 6, 7, 8 and 9 were discounted on a cost/ benefit basis.

If the Council were to proceed with option 5 it is likely that the OC would be entitled to claim for losses or increased costs for providing bed spaces elsewhere. Early indications are that this would be in the region of £9.3m associated with the de-scoping of 854 Games time bed spaces.

#### **Option 1, Deliver Plots 1, 3, 4, 5, 6, 7, 8, 9 and 11 (as per FBC)**

This option considers maintaining the scope of the scheme as per the FBC which was approved in June 2019. This option would enable the Council to meet its obligations of the Host City Contract – to provide 6,500 bed spaces for athletes at Game-Time.

#### **Option 2, Deliver Plots 1, 3, 4, 5, 6, 7, 8 and 9 and de-scope Plot 11**

This option delivers 97% of the bed space requirements as set out in the Host City Contract, and it is considered that the remaining shortfall of 184 bed spaces can be managed through discussions with the OC with respect to scheduling of the sporting activities. The Council are in discussions with the OC to find a resolution in respect of the scheduling of sporting activities. This approach also de-scopes the Plot that delivers the worst value for money of the various elements of the scheme, and that has an uncertain legacy benefit post-Games. By deferring the delivery of Plot 11 until post-Games, it will be possible to secure an end-user in advance of delivery, and to ensure that the property constructed is optimised for its legacy use.

#### **Option 5, Deliver Plots 3, 4, 5, 6, 7, 8 and 9 and de-scope Plots 1 and 11**

Option 5 comprises a number of sub-elements:

- Plots 6, 7, 8 and 9 have been contracted.
- Plots 1 and 11 will be de-scoped for Games time and completed post-games. As a result, the Village will be 854 bed spaces short at Games time against its target of 6,500 bed spaces. Preliminary discussions with the OC have been undertaken and precautionary provisions made to re-house the displaced athletes at Warwick University and/ or hotel accommodation at the NEC.
- Plots 3, 4 and 5 will be developed for the Games to be used post-games as affordable housing. The decision of using modular or traditional building techniques will be made by June 2020.

Commercial implications:

- Removal of plots 1 and/or 11 could potentially have a positive impact on the cost of the preliminaries and fees charged by Lendlease and reduction should be sought.
- Additional commercial and legal advice should however be sought to protect the interest of the Council and provide an accurate calculation of the potential retrospective cost retrieval, which should also include for the loss of Plot 2 previously and which is yet to be determined.

The Council, in conjunction with the West Midlands Combined Authority (WMCA) and Transport for West Midlands (TfWM) will continue to progress with plans to improve transport links to and around Perry Barr.

Highways improvements include the demolition of the A34 flyover, improved road layout for local citizens and through-traffic, improved public transports including 'Sprint' buses and the enhancement of Perry Barr station. These improvements are crucial for the legacy scheme but also at games time to ensure the safety and security a large number of games visitors.

#### **Recommendation**

To deliver Plots 1, 3, 4, 5, 6, 7, 8, and 9 (option 2) to continue with the regeneration of Perry Barr, thereby delivering the housing growth, highways and public transport improvement and the requirements for the Games time Village which enables the Council to substantially deliver its obligations within the Host-City Contract.

This option is recommended as it will deliver an improved environment within the Perry Barr centre and act as a catalyst to generate further development opportunities and deliver future growth in the area.

It is anticipated that a significant number of additional new homes will also be delivered across the wider area over the next 15 years and further improve the commercial viability of the residential scheme being built.

The Council will be able to take advantage of the £171.1m grants awarded from Central Government as well as the other funding secured. £148.3 million was provided directly to the Council to support the delivery of the Games Village, highway works and wider land assembly programme with the remainder (£17m) provided to the WMCA with responsibility for delivering the new Perry Barr Station Interchange.

A further benefit realised by pursuing the preferred option, is to deliver a number of additional deliverables required to ensure the Games time village meets the Host City requirements e.g. the provision of a Games time Transport Mall and temporary public realm finishes within the Village.

These are the responsibility of other stakeholders, however it may be more cost effective for the Council to deliver these schemes, subject to funding being provided by the stakeholders and these schemes being cost neutral to the Council.

### **C2. Evaluation of key risks and issues**

*The full risks and issues register is included at the end of this FBC*

The specific risks and considerations associated with the implementation of the scheme are set out below:

- a. Tier 1 Contractor failure e.g. insolvency, poor performance. There is a risk that the main contractor or subcontractor(s) become insolvent due to poorly performing projects and cash flow issues resulting in the project stalling and the need to re-procure a main contractor and/ or sub-contractor(s). To mitigate against this financial due diligence is undertaken prior to contract award.
- b. Project Acceleration costs due to unforeseen delays. There is a risk of unforeseen delays due to the impact of severe health outbreaks (coronavirus potential to reduce workforce by up to 20%), severe weather conditions, reducing the rate of progress and/or unforeseen events resulting in delays. The contingency provision will remain under active review. Current mitigation measures include: -
  1. Focus on supply chain – localising where possible
  2. Workforce resilience – identifying additional sources of manpower
  3. Extended hours – introducing weekend and evening working to stay on programme
  4. Smarter/agile working – providing the tools to ensure staff are able to work remotely
  5. Reinforcing good health and hygiene practice
- c. Logistics Pressures due to a number of contractors working on site and in the Perry Barr area. There is a risk that site access, labour, materials etc. are restricted for construction traffic due to other construction works taking place in the Perry Barr area. An integrated transport management plan including construction demand across the area is being developed.

Further, it is proposed that options are explored with partners to identify a suitable funding solution that increases the level of contingency for the project to around £40m, commensurate with the size and complexity of the scheme.

### **C3. Other impacts of the preferred option**

*Describe other significant impacts, both positive and negative*

Positive Impacts: -

1. Provides much needed housing to the area
2. Significant improvement in terms of access to and provision of green space
3. Unlocks development potential and on-going regeneration of the area, including new commercial and residential development within the centre
4. Provides capital receipts from sale of accommodation and land post Games
5. Provides income by way of council tax and business rates
6. The programme will provide for an improved public realm
7. Improved public transport priority and cycle routes through the area will be provided
8. The public transport improvements will provide for better access to rail and bus services, better modal interchange, and a more attractive environment for passengers
9. Wider site assembly will both facilitate the delivery of the schemes outlined above and will enable the delivery of new development to improve the local centre and provide additional housing post-Games



10. A review of the scheme has identified the opportunity to introduce more green space and increase the biodiversity of the site.
11. The review has also provided the opportunity to introduce more sustainable energy provision. Plots 8 and 9 will now have electric heating system, where previously it was gas central heating.
12. Plot 2 will be available for open market sale post-Games, at a current estimated value of £4.5m. This will also allow for more homes to be built within the existing footprint of the scheme
13. Plot 10 will be available for open market sale post-Games, at a current estimated value of £6.0m.
14. Plot 11 will be available for open market sale post-Games and a provisional estimate is yet to be determined.
15. Digital infrastructure will be introduced enabling occupants to have ultra-fast Broadband and full wi-fi capability
15. Provision of a bus interchange and railway station to serve the local network
17. Provision of the Sprint bus service will further enhance public transport provision in the area
18. Provision of a Job Centre closer to the local Perry Barr centre
19. The scheme is currently proposed to complete in Spring 2022. There will however, be early release of individual buildings within each plot (sectional completion) to provide early handover of these to OC.

Negative Impacts: -

1. The works will cause disruption to businesses and residents in the area. The Council is working with the contractors on the various schemes being developed across the Perry Barr area to minimise disruption.

## D. COMMERCIAL CASE

*This considers whether realistic and commercial arrangements for the project can be made*

### D1. Partnership, Joint venture and accountable body working

*Describe how the project will be controlled, managed and delivered if using these arrangements*

N/A

### D2. Procurement implications and Contract Strategy:

*What is the proposed procurement contract strategy and route? Which Framework, or OJEU? This should generally discharge the requirement to approve a Contract Strategy (with a recommendation in the report).*

There has been no change to the procurement or contract strategy.

If the decision to build plots 3, 4 and 5 using traditional construction methods is confirmed, the Council will to procure a Contractor to carry out these works. If the decision is to use Modern Methods of Construction, there will be no change in Procurement or Contract strategy.

### D3. Staffing and TUPE implications:

#### Staffing

The Council is providing support, skill and expertise from within existing resources. Where there is a gap in these resourcing requirements, external resource and services have been engaged.

The Council has entered into a number of contracts to support the delivery of the scheme as detailed in the table below:

Service	Provider
Procure, manage and co-ordinate the delivery of all the plots, including the award of sub-contracts for individual plots to be developed by Tier 1 contractors	Lendlease Construction (Europe) Limited
Employers Agent, Quantity Surveying pre RIBA Work Stage 3. Stage 3 onwards NEC Project Management and Supervisor services for the Phase 1 Residential Scheme and the Phase 2 Games Time Village works (To be confirmed)	Arcadis LLP
Site Investigation and Geotechnical Services	White Young Green Ltd (WYG)
Demolition and remediation for phase 1	DSM Demolition Ltd
Professional advice on acquisitions/disposals.	Various
Design Assurance	Acivico

## APPENDIX 1

Programme Management and Governance (Delivery Partner Capital Programme support)	Turner and Townsend
Demolition and Remediation works to land acquired for phase 2	TBC
Consultancy service to develop a disposal strategy for the wider site	CBRE
Design and build of the modular office facility to house the Job Centre Plus Service.	TBC
Site investigations and geotechnical services	WYG
Planning services	Various
Refurbishment of Oscott Gardens	TBC

### TUPE

There are no TUPE implications with this project.

**E. FINANCIAL CASE**

*This sets out the cost and affordability of the project*

**E1. Financial implications and funding**

The table below sets out a summary of the cost position (**Column C**) compared with the position approved at FBC (**Column B**), subsequently compared with the outcome of enacting Option 2 (**Column D**).

Column A	Column B	Column C	Column D
Cost component	FBC June 19 (£m)	Option 2 financial position (£m)	Variation: FBC June 19 vs Option 2 (£m)
Land Acquisitions	53.2	54.9	1.7
Housing Construction	261.6	296.8	35.2
Retrofitting	24.0	-	-24.0
Site Infrastructure	31.6	32.4	0.8
Additional costs post-CDA	-	12.1	12.1
Highways	27.1	27.1	0
School Relocation	5.6	5.6	0
Demolition Costs	13.1	8.9	-4.2
Fees	28.8	30.6	1.8
Bus Depot	13.1	28.8	15.7
Capitalised Interest	24.2	29.3	5.1
Contingency	10.3	15.0	4.7
<b>Gross Capital Expenditure</b>	<b>492.6</b>	<b>541.5</b>	<b>48.9</b>
Sale Proceeds	(313.7)	(317.1)	(3.4)
Grants	(171.0)	(171.1)	(0.1)
Capital Receipts	-	(20.0)	(20.0)
Capital Contingency	-	(15.7)	(15.7)
Revenue Contributions	(7.9)	(17.6)	(9.7)
<b>Gross Income / Funding</b>	<b>(492.6)</b>	<b>(541.5)</b>	<b>(48.9)</b>
<b>Nett Cost</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

The year by year cost and income plan is provided in section G1

**E2. Evaluation and comment on financial implications:**

The implementation of the recommended option will result in a requirement for the utilisation of £15.7m of capital reserves to fund the previously identified overspend relating to the relocation of the National Express Bus Depot, together with the earmarking of £20m of future capital receipts to resolve remaining cost pressures.



There is a requirement in relation to the Transport Mall and associated public realm, carpets and bedroom locks for which discussions are ongoing with partners in line with the principle that BCC is not responsible for the funding of temporary works that do not deliver a legacy benefit.

### E3. Approach to optimism bias and provision of contingency

It is considered that a contingency of £15m for a programme of this scale and complexity maybe insufficient and a more appropriate level would be in the region of £40m. We are in discussion with partners to identify the appropriate size, shape and funding arrangements for this level of contingency.

The contracts signed for plots 6, 7, 8 and 9 are fixed-price against a verified design and a prudent approach to contingency has been introduced which mitigate against optimism bias.

### E4. Taxation

*Describe any tax implications and how they will be managed, including VAT*

Acquisition costs are all considered inclusive of Stamp Duty Land Tax (SDLT) implications, and it is considered that the VAT liability relating to construction costs and land acquisition will be either recoverable as it will result in non-business usage, or can be managed within the overall VAT partial exemption limits for the Council.

## F. PROJECT MANAGEMENT CASE

*This considers how project delivery plans are robust and realistic*

### F1. Key Project Milestones

*The summary Project Plan and milestones is attached at G1 below*

### Planned Delivery Dates

#### Perry Barr Residential Village Scheme

Cabinet Approval of Outline Business Case	Jun 2018 completed
Selection of Lendlease Construction (Europe) Limited to deliver residential village	Nov 2018 completed
Planning Application for Residential Village granted	Dec 2018 completed
Preliminary Services Contract awarded to Lendlease Construction (Europe) Limited	Feb 2019 completed
Commence preliminary works on site	May 2019 completed
Full Business Case Approval	Jun 2019 completed
Complete BCU site demolition and remediation	Jun 2019 completed
Commence site wide infrastructure works	Jul 2019 completed
Commence plots construction	Jan 2020 completed
Complete plots construction and handover to OC	Mar 2022
Completion of all public realm areas	May 2022. Access for OC from 01 April 2022

#### Games time Village and Wider Regeneration

Conclude land acquisition negotiations	May 2020
Compulsory Purchase Order (CPO) made	Dec 2018 completed
CPO Inquiry	Jul 2019 completed
Confirmation of CPO (anticipated)	Sep 2019 completed
Vesting of land through CPO	May 2020
Assembly and preparation of Games time Village site complete – handover to OC	Apr 2022

#### Job Centre Relocation

Aston Lane Demolition	Jan 2020
Modular Build Design	Oct 2019
Modular Build Contractor Procurement	Feb 2020
Modular Build Construction	Jun 2020

## F2. Achievability

*Describe how the project can be delivered given the organisational skills and capacity available*

### Phase 1 Residential Scheme

In addition to the skills and resources identified in the FBC, BCC has engaged other resources to provide additional skills and expertise and ensure the scheme of works are delivered to schedule and cost. These include:

- Turner and Townsend to establish the Birmingham 2022 Capital Programme Management Office (PMO) to provide more robust governance, leadership and challenge and align all projects to a consistent set of project controls and standards.
- Acivico – provision of architect, structures and mechanical and electrical expertise to assure the design is fit for purpose.

### Phase 2 Games time Village

Resources associated with land acquisitions, demolition and remediation were identified in the FBC. In addition:

- Acivico are supporting the delivery of Job Centre relocation;
- The OC are reviewing the Perry Barr Residential Scheme designs to ensure they meet their requirements and conducting quarterly Assurance Reviews;
- Provision of project management services to ensure the OC requirements are met.

### Wider regeneration

Resources associated with land acquisitions, demolition and remediation were identified in the FBC and the work is progressing to plan.

All other projects which deliver a series of highways improvements (A34 Highway Works and A34 Sprint incl. flyover demolition), public transport enhancements including the redevelopment of Perry Barr Rail Station and bus interchange, and improvements to Perry Barr Public Realm, are outside of the scope of the RFBC.

## F3. Dependencies on other projects or activities

A number of schemes are required to be delivered in parallel to ensure the Council can meet its Host-City obligations. In addition to the Perry Barr Residential Scheme, other major capital projects include:

- A number of highway, transport and public realm infrastructure schemes
- Re-development of the Alexander Stadium
- Delivery of Sandwell Aquatics Centre (in partnership with Sandwell Metropolitan Borough Council)

These projects are now being managed as a single Birmingham 2022 Capital Programme to ensure interfaces and dependencies are co-ordinated and that handover to the OC is managed in a consistent way across the different projects.

## F4. Officer support

**Project Sponsor:** Ian Macleod

Email: [ian.macleod@birmingham.gov.uk](mailto:ian.macleod@birmingham.gov.uk)

**Project Director:** James Hamilton

Email: [James.Hamilton@birmingham.gov.uk](mailto:James.Hamilton@birmingham.gov.uk)

**Project Accountant:** Guy Olivant

Email: [guy.olivant@birmingham.gov.uk](mailto:guy.olivant@birmingham.gov.uk)

**Programme Manager:** Mumtaz Mohammed

Email: [mumtaz.mohammed@birmingham.gov.uk](mailto:mumtaz.mohammed@birmingham.gov.uk)

## F5. Project Management

*Describe how the project will be managed, including the responsible Project Board and who its members are*

A number of Project Boards are in place to manage and oversee project and programme delivery as follows:

- a) A Project Board consisting of all partners responsible for delivering and monitoring projects in the Perry Barr area incl. the Council (Planning, Housing, Birmingham Property Services, Procurement, Financial, Legal and Transportation), Transport for West Midlands, Homes England, West Midlands Combined Authority and Arcadis LLP.

- b) A Project Board to oversee the delivery of the Perry Barr Residential Scheme consisting of the Council, OC, DCMS, Games Partners, Lendlease Construction UK Ltd and Arcadis LLP..
- c) A Capital Programme Board to oversee the delivery of all capital projects associated with the Games. The Board consisting of representatives from the Commonwealth Games Federation, Alexander Stadium, Sandwell Borough Council (Aquatics Centre) Games –Time Village, the Council, OC, DCMS and Games Partners.
- d) A Capital Programme Executive Board is in place to provide a smaller senior executive group with greater oversight and assurance over the Birmingham 2022 Capital Programme, complementing and building upon the work done by all stakeholders at the Capital Programme Board.

To improve consistency and robustness of project controls across the various capital projects required in support of Games time, the Council has also instructed Turner & Townsend as the Birmingham 2022 Capital Programme 'Delivery Partner'.

**G. SUPPORTING INFORMATION***(Please adapt or replace the formats as appropriate to the project)***G1. Year by Year Capital Expenditure Plan**

	Prior Years £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
Land Acquisition	10.481	44.423	-	-	-	54.904
Housing Construction	2.710	80.644	129.312	69.657	14.511	296.834
Retrofitting	-	-	-	-	-	-
Site Infrastructure & Services including post CDA Costs	0.263	38.016	2.100	3.150	1.000	44.529
Highways	0.126	3.642	13.989	8.425	0.921	27.103
EFA Relocation	-	5.588	-	-	-	5.588
Demolition inc Abnormals	1.238	5.057	1.113	1.000	0.536	8.944
Fees	5.090	9.749	7.450	5.669	1.826	29.784
Bus Depot	5.975	5.913	17.661	-	-	29.549
Capitalised Interest	0.140	2.230	6.730	10.646	9.511	29.257
Contingency	-	5.368	5.777	2.654	1.208	15.007
Total	26.023	200.631	184.132	101.201	29.513	541.500

## G. SUPPORTING INFORMATION

(Please adapt or replace the formats as appropriate to the project)

### G2. Project Plan



**G. SUPPORTING INFORMATION***(Please adapt or replace the formats as appropriate to the project)***G3. Summary of Key Risks**

KEY RISKS									
Risk ID	Description including Games Consequences	Original RAG	Owner	Mitigation	Update	Residual / Current RAG	Proximity	Escalate Y/N?	Resolution Target Date
R111	<b>Logistics Pressures due to a number of contractors working on site and in the Perry Barr area</b> Programme for transport related schemes (i.e. highways improvements, train station, A34 Sprint) may not align with the village construction programme and compromise project delivery of village and/or transport infrastructure schemes.	25	BCC	Project managers ensure co-ordination of designs and construction plans integrate between schemes.	Transport infrastructure Group meetings held regularly to co-ordinate activity and manage interdependencies and conflict in the area. Travel Demand Management plan including construction traffic is being developed for the area.	16	Approaching		On-going
R141 X	<b>Project Acceleration costs due to unforeseen delays.</b> The Business Case for the Athletes Village, and in particular the level of contingency included within the financial plan is below the level that would be required to ensure Green Book compliance	25	BCC	Project level contingency supplemented by additional £10m ring fencing of Council's overall Capital Contingency. Risk of need to access contingency reduced by approach to contracts including fixed price contracts and role of Lendlease.	Revised Full Business Case being progressed for approval and incorporating revised costs and programme provided by Tier 1 contractors. The RFBC will seek further £19.6m contingency that will be managed through an established Change Control process.	16	Approaching		On-going
R36	Site access, egress, logistics, labour materials etc. are restricted for construction traffic due to	20	BCC	1. BCC to appoint a co-ordinating manager for co-ordinating all	A site wide logistics solution has been introduced. This will ensure	12	Approaching	N	On-going

## APPENDIX 1

	associated other construction works taking place in the vicinity (i.e. Highways (Sprint) Rail upgrade, Utility works or work associated with neighbouring schemes resulting in a delay to the construction programme.			works associated with works around the CWG Village. 2. BCC to ensure that there is an agreed set of rules that all contractors working around the Athletes village are signed up to and that there is a regular forum which all contractors attend to co-ordinate works. 3. Project Manager to ensure that rules are issued at tender stage to the tendering primary contractor for the Athletes village.	all deliveries to the main residential scheme are co-ordinated and managed and impact of this activity on neighbouring schemes is managed.  Additional resources are being deployed to develop a Travel Demand Strategy across the Perry Barr developments.				
R60	<b>Tier 1 Contractor Failure e.g. insolvency, poor performance.</b> There is a risk that the main contractor or sub-contractor(s) becomes insolvent due to poorly performing projects and cash flow issues resulting in the need to re-procure a main contractor/sub-contractor and the project stalling.	15	BCC	1. Lendlease will ensure that a thorough financial check is undertaken on short listed primary contractors and key sub-contractors. 2. Step-in rights by LLC or Tier 1 contractor to manage out contract with exiting supply chain are part of the contract with the Council. 3. BCC to consider taking out a bond to enable them to complete the works without the need for a lengthy re-procurement exercise.	Due diligence being undertaken on the T1 contractors by Lendlease ahead of confirming contracts for each plot. BCC have undertaken a separate exercise to mitigate risk.	10	Distant	N	On-going
R28	There is a risk the supply chain may not meet the cost of the programme due to future economic changes and currency fluctuations which may lead to a sub-optimal design/product.	12	BCC	Employer's Agent confirms the contract conditions provide that the contractor is responsible in the event of supply chain insolvency. Price fluctuations may sit with the main contractor depending on which options apply of the individual contracts.	T1 contractors signed into PSC contracts prior to confirming full contract to provide opportunity for confirming design and cost through supply chain providing higher level of confidence of cost and supply.	9	Distant	N	Jul 19

## APPENDIX 1

TBC	There is a risk that additional contingency funding is not yet secured.	25	BCC	Discussions are ongoing with funding partners to supplement the capital contingency for delivery of this scheme.	Currently in discussion with partners.	20	Current	Y	Mar 20
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<b>To</b>	Resources O&S Committee
<b>Date</b>	12 March 2020
<b>Report from</b>	Guy Olivant – Major Developments Lead, Finance & Governance Directorate
<b>Subject</b>	Commonwealth Games – Partner Funding Contributions

## 1 Purpose of Report

- 1.1 This report sets out current progress on the funding of the Commonwealth Games, and in particular focusses on the current status of partner funding contributions.

## 2 Background

- 2.1 The overall budget for the delivery of the Games (excluding the Athletes Village and specific BCC responsibilities as set out in the Host City Contract, but including capital expenditure associated with the Alexander Stadium and Sandwell Aquatics Centre) has been set at £778million (net of sponsorship and commercial income). This overall budget is jointly funded by Birmingham City Council (including Partner Contributions) and central Government (through DCMS), with the Council contribution calculated as £184.6million.
- 2.2 The Council's contribution of £184.6million will be a blend of revenue and capital funding, and is intended to include all capital elements of the overall Games costs from 2019/20, followed by a balancing revenue "top up" funding contribution in the final year of the programme, in order to maximise the Council's flexibility in identifying suitable sources for its funding commitments.
- 2.3 This report provides an update on the core Games budget of £778million with a particular focus on the Council's funding contribution, including contributions from partners.

## 3 Overall Games Budget

- 3.1 The overall Games budget of £778million (net of commercial and sponsorship income) covers the core costs of putting on the Games, the costs of a number of key capital projects (including contributions towards the cost of the Sandwell Aquatics Centre and the full cost of the redevelopment of the Alexander Stadium) and the costs of providing a safe and secure environment for the Games, as agreed in the Host City Contract. At this stage, just over 2 years before the Opening Ceremony, financial projections across the Games Partners are that the Games will be delivered within the agreed budget, although it should be acknowledged that much of the revenue expenditure will only be incurred much closer to Games time.

- 3.2 The overall budget setting process included a robust challenge process. The overall £778million budget includes the identification of suitable levels of contingency funding that may only be drawn down following explicit approval through a robust change control process. The budget also includes efficiency targets where appropriate to the nature of individual budget areas. In particular, it should be noted that the level of contingency attached to capital projects and Organising Committee expenditure was set at 20% when the budget was agreed in June 2019.
- 3.3 A series of Funding Agreements are in development to manage the various funding flows between Games Partners, and to ensure that funding is only provided in accordance with the overall Games budget and governance framework. The tripartite agreement between Birmingham City Council, Sandwell Metropolitan Borough Council and DCMS for the funding of the Sandwell Aquatics Centre has now been agreed, with other draft funding agreements now well advanced. In particular, it should be noted that the draft overarching Funding Agreement between the Council and DCMS caps the Council's contribution at £184.7million. The planned Council Contribution, approved as a part of the Council's budget in February 2019 and confirmed more recently in February 2020, comprises £2.2million of contributions to Organising Committee costs in 2018/19 and £145.6million of capital funding, with the balance of £36.8million being revenue contributions to be made in 2022.

## 4 Council Contributions

- 4.1 Based on the overall approved budget for the Commonwealth games and the provisions of the draft Funding Agreement referred to in paragraph 3.3, the total contribution from the Council and our funding partners will not exceed the lower of £184.6million or 25% of expenditure (excluding Security Contingency costs, which are funded in full by DCMS). The phasing of anticipated contributions will vary to match actual expenditure profiles, but is anticipated to be as follows:

Year	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
Revenue	2.156				36.822	38.978
Capital	1.552	10.971	72.594	58.850	1.635	145.602
Total	3.708	10.971	72.594	58.850	38.457	184.580

## 5 Identified Partner Contributions

- 5.1 At the time that the Council was putting together the bid to host the 2022 Commonwealth Games, a range of Partners indicated their willingness to

provide contributions to the local costs of delivery of the Games, although at that stage the commitments were indicative, rather than being firm and secured. **At this stage, potential contributions with a total value of up to £81million were identified, but only £75million assumed to be realised.**

5.2 The following table sets out current progress on securing partner contributions, including a brief summary of each funding source.

Partner	Initially Identified £'m	Secured to date £'m	Status
West Midlands Combined Authority	25.0	25.0	Associated with Alexander Stadium redevelopment. Likely to be substantially drawn down in 2021/22.
GBSLEP	20.0	20.0	Associated with Alexander Stadium redevelopment. Must be drawn down by 31 March 2021.
Black Country LEP	5.0		BC LEP have provided £5m of direct funding to Sandwell relating to the Aquatics Centre. Advised that no direct funding will be provided.
C&W LEP	5.0	3.0	Discussions under way to establish process for access to funding. C&W LEP have indicated that they are willing to work with BCC to identify the remaining funding, but this is reliant on the identification of available funding by the LEP.
Midlands Engine	10.0		Unclear whether or not this contribution will be forthcoming. Dialogue ongoing.
Universities	10.0		BCC continue to work with the University sector to understand where the sector can support the Games. UoB are providing direct support to the redevelopment of University Station.
CIL	5.0	5.0	Value of contribution agreed, with work under way to confirm timing of CIL funding availability and to identify specific elements of the overall programme that meet CIL requirements.
NEC (Revenue)	1.0	1.0	Agreed in principle, MoU to be progressed with the NEC (NB this is likely to be revenue funding)
<b>Total</b>	<b>81.0</b>	<b>54.0</b>	<b>Note £75m assumed in financial modelling.</b>



<b>To</b>	Resources O&S Committee
<b>Date</b>	12 March 2020
<b>Report from</b>	Guy Olivant – Major Developments Lead, Finance & Governance Directorate
<b>Subject</b>	Commonwealth Games – Council Funding Commitments

## 1 Purpose of Report

- 1.1 This report provides a summary of the costs to the Council associated with the hosting of the Commonwealth Games, but excluding contributions to fund the Athletes Village and wider regeneration of Perry Barr.

## 2 Background

- 2.1 Under the terms of the Host City Contract for the Games, the Council is required to fund up to £184.6million as a contribution to the cost of the Games (this contribution equates to 25% of costs excluding Security contingency, and includes capital projects such as the redevelopment of the Alexander Stadium). In addition, the Council will also incur a range of other costs either set out in the Host City Contract, or as a necessary consequence of the decision to host the Games.
- 2.2 These latter costs fall outside of the remit of the Birmingham 2022 Organising Committee, but are necessary to ensure that the Games is a successful event that delivers a positive and sustainable legacy long after the end of the Games.
- 2.3 This report provides an assessment of the anticipated key elements of expenditure anticipated, and their likely costs as set out within the Council's Financial Plan as approved on 25 February 2020.

## 3 Key Elements of Expenditure

- 3.1 Four key elements of expenditure have been identified that are necessary for the successful support of the Games by the Council. These are:
- Contribution to OC Costs
  - Enhanced City Operations
  - Legacy Development
  - Programme Team costs
- 3.2 The Contribution to OC costs represents the Council's contributions (including Partner Contributions) to the "core" costs of the Games, including capital investment in facilities such as the Alexander Stadium and Sandwell Aquatics centre, as well as the costs of the Games itself. These costs are proposed to be capped at £184.6million under the terms of a draft funding agreement between DCMS and the Council, and is budgeted to include £75million of partner contributions as well as the Council's own resources.
- 3.3 The Enhanced City Operations costs relate to the likely additional costs to be incurred in the lead up to, and during the Games, largely as a result of the very substantial

influx of visitors to the City, and to ensure that visitors' experience of Birmingham is safe as well as enjoyable. These costs are intended to supplement "business as usual" activities and may include street cleaning, refuse collection, safety works and wayfinding.

- 3.4 The Legacy Development programme will be focussed on ensuring that residents are fully engaged with the Games, and that the enduring benefits of the Games are enjoyed by local residents and do not dissipate as soon as the Games are over. This programme will comprise a large number of separate locally focussed initiatives, and is likely to be largely delivered at a Ward level.
- 3.5 The Programme Team costs are a clear necessity for a programme of the size, complexity and importance of the Commonwealth Games. The team works very closely with other key Games partners including the Organising Committee, DCMS, the Commonwealth Games Foundation and Sandwell Council, as well as making sure there is suitable integration with the rest of the Council's operations.

#### 4 Budget Summary

- 4.1 The Council's Financial plan, as approved on 25 February, included provision for the key services as set out above, together with indicative timings for the different elements of expenditure, as set out in the following table.

Year	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
<b>Revenue</b>						
Contribution to OC Costs	2.156				36.822	38.978
Enhanced City Operations				5.000	10.000	15.000
Legacy Development				6.000		6.000
Programme Team	0.665	1.000	4.000	5.021	2.444	13.130
<b>Total Revenue Expenditure</b>	<b>2.821</b>	<b>1.000</b>	<b>4.000</b>	<b>16.021</b>	<b>49.266</b>	<b>73.108</b>
<b>Capital Expenditure</b>						
Council Funded	1.552	10.971	36.255	20.922	0.902	70.602
Partner Contributions			36.339	37.928	0.733	75.000
<b>Total Capital Expenditure</b>	<b>1.552</b>	<b>10.971</b>	<b>72.594</b>	<b>58.850</b>	<b>1.635</b>	<b>145.602</b>

- 4.2 Work is currently under way to develop detailed plans to underpin the likely activity relating to Enhanced City Operations, Legacy Development and Programme Team, which may involve some refinement of the timing and precise costs incurred. Any

changes arising from this work will be reported to the appropriate decision maker in due course.







Councillor Meirion Jenkins

Conservative  
Sutton Mere Green Ward

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*Please quote our reference in any reply*  
Our ref: 2020.03.04 Cllr Bore

4<sup>th</sup> March 2020

Councillor Sir Albert Bore  
Chairman, Finance and Resources O&S Committee

Dear Councillor Bore

**Re: Review of IT implementations**

On 5<sup>th</sup> November 2019, Councillor Trickett and I met with a number of officers who are involved with the implementation of the new Oracle ERP system and Microsoft office products at the council. Our objective was to consider some of the financial risks to which the council may be exposed in connection with these implementations, in particular time and cost overrun on the ERP implementation and inability to control licence costs. Our scope did not include whether the correct products and suppliers had been selected.

**Oracle ERP implementation**

ERP implementations have a tendency to overrun both in terms of time and cost. Few are delivered strictly to time and budget but some have disastrous overruns. This link demonstrates some of the more notorious examples [ERP failures](#). Given the scale of Birmingham's ERP implementation and the council's track record on project delivery and financial control, we must consider the ERP implementation to be a budget risk.

The Council has commissioned an Oracle partner company, Evosys to assist with the Oracle implementation at a fixed cost of £3.4m, to be paid in five tranches of 20% upon the attainment of five key milestones, the final one being May 2021. There is some debate in the industry as to the best model for contracting with systems integrators such as Evosys. Time and materials can be cheaper if an organisation is very good at implementing systems but fixed price is safer if in doubt, albeit generally more expensive because it may include a premium to cover the supplier's risk shift. During the course of the project, the supplier will often seek to escape the fixed price limitation and justify reasons for adjusting the fixed price.

At the time of writing, the first two milestones (contract signature and design phase, 9<sup>th</sup> Dec) have been met and 40% of the £3.4m has been paid to Evosys. That said, management has indicated that the timescale for the later stages may be too ambitious and, of course, an extension of time will inevitably involve an increase in cost – the question is, for whom? The whole point of a fixed price contract is that the risk of overrun sits with the supplier, so the mere fact that we move the end date should not in itself imply a cost increase. Scrutiny should receive a report of any variation that is proposed to the fixed price contract.

Quite correctly, management took up two references for the work of Evosys in local government and received good reports from Croydon and Lambeth, albeit that these are somewhat smaller authorities. Again, correctly, management have determined that every conceivable effort will be made to avoid any bespoke development, changing business process to fit the standard system as opposed to changing the system to suit BCC process.

Overall, in the context of the current market and options available, I believe the officers have taken the correct negotiating steps (fixed price/references). That said, and based on 30 years' experience of the industry, I do not expect the Oracle ERP project to be delivered on time and to the original contract price. As a council, we must pay very close attention to progress with the implementation and apply very strict project management, identifying any dangers of overrun at the earliest possible stage.

## **Licences**

Most modern systems are now implemented on a cloud based model. That is to say, the application software and client data reside on a supplier's server and the client accesses the system via the internet. This brings with it a number of important technical and user advantages and, in any event, the industry is now so committed to this model, that it would be very difficult and ill advised to attempt a traditional on-premise approach. However, one disadvantage of cloud based systems is that they involve a significant shift of negotiating power from the client to the supplier. As a consequence, a client is exposed to the risk of a supplier increasing its licensing costs and, in the short and medium term, a client would have no option but to accept the cost increases. Licences are now calculated and paid on a monthly basis, as opposed to a traditional one-off payment for a licence in perpetuity as was the case with on premise systems. As a rough guide, the financial cross over between cloud and on premise occurs after three years, although the cloud payment does include the cost of infrastructure (i.e. you don't need to buy and maintain a server) and certain housekeeping duties (e.g. no need to carry out backups etc).

As part of our enquiry, I sought reassurance from the officers that we had taken steps to mitigate this licence cost risk.

The two main licences we focused on were the Oracle ERP licence and the Microsoft Office 365 (Outlook/email/calendar etc) licence.

The Microsoft office licence is based on a Microsoft Enterprise Agreement and is at a fixed cost for three years renewable in April 2020. BCC will re-procure through a reseller by March 2020. There are options for contract length available via a nationally negotiated framework, and the price is fixed for the duration of the contract.



Turning to Oracle, the licence contract is 5 years + 2 optional years, therefore up to 7 years in total. The renewal decision will probably therefore take place around year 5 with re-procurement at the end of year 7. In negotiating ERP licences past these time points (yr. 5 or 7), negotiators will be aware that a decision not to re-procure Oracle would involve another change of ERP system (£3.4m?). Oracle has given verbal, but not contractual, reassurance that they would not disproportionately uplift licensing costs.

Another important licence is with Eclipse. This has been negotiated to be five years from Oct 2017 and after 2022, the contract will automatically rollover every 12 months, subject to BCC giving notice in writing a minimum of 60 days before the renewal date. Price increases are allowed after April 19 but limited to RPI.

Once the fixed term agreements come to an end, our negotiating position with all cloud suppliers relies to an extent on brand and reputation, with suppliers perceiving us to be an important reference and well placed to influence their sales prospects. (This was part of the argument used in persuading Capita to treat us gently when we sought to unpick the Service Birmingham agreement.)

One advantage of cloud is that we can regularly adjust the licensing based on usage.

On balance, given the current market for such systems and the pressing need for BCC to modernise its systems (i.e. the high costs of running the SAP system and very outdated office systems), I believe the officers have taken reasonable steps to limit licence exposure.

I hope the Committee will find these comments helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Meirion Jenkins', written in a cursive style.

**Councillor Meirion Jenkins**





## Resources O&S Committee: Work Programme 2019/20

<b>Chair</b>	Councillor Sir Albert Bore
<b>Deputy Chair</b>	Councillor Lisa Trickett
<b>Committee Members:</b>	Councillors Muhammad Afzal, David Barrie, Meirion Jenkins, Yvonne Mosquito, Brett O'Reilly and Paul Tilsley
<b>Committee Support:</b>	Scrutiny Team: Emma Williamson (464 6870) and Jayne Bowles (303 4810) Committee Manager: Marie Reynolds (464 4104)

### 1 Meeting Schedule

Date	Item	Contact/Attendees
<b>12 June 2019</b> <b>2pm in Committee Room 2</b> Deadline for reports: 4 June	Request for Call-In: Disposal of Surplus Properties	Waheed Nazir/Kathryn James
	Financial Outturn 2018/19	Clive Heaphy, Chief Finance Officer
<b>18 July 2019</b> <b>2pm in Committee Room 6</b> Deadline for reports: 9 July	Request for Call In: Procurement Strategy to support the Fleet Replacement Strategy for Waste Management Service	Darren Share, AD, Street Scene/Jon Lawton, Cabinet Support Officer
	Financial Monitoring 2019/20 – Month 2	Clive Heaphy, Chief Finance Officer
<b>17 September 2019</b> <b>2pm in Committee Room 2</b> Deadline for reports: 6 September	Financial Monitoring 2019/20 – Q1(Month 3) & Month 4	Clive Heaphy, Chief Finance Officer
<b>17 October 2019</b> <b>2pm in Committee Room 6</b> Deadline for reports: 8 October	Indoor Markets Service Charge	Sajeela Naseer, Head of Trading Standards and Markets
	Financial Monitoring 2019/20 – Month 5	Chief Finance Officer
<b>14 November 2019</b> <b>2pm in Committee Room 6</b> Deadline for reports: 5 November	Update on Funding for the Commonwealth Games	Guy Olivant, Major Developments Lead
	Financial Monitoring 2019/20 – Q2(Month 6)	Becky Hellard, Interim Chief Finance Officer
<b>19 December 2019</b> <b>2pm in Committee Room 6</b> Deadline for reports: 10 December	Update on Funding of the Commonwealth Games	Guy Olivant, Major Developments Lead
	Financial Monitoring 2019/20 – Month 7	Becky Hellard, Interim Chief Finance Officer



Date	Item	Contact/Attendees
<b>16 January 2020</b> <b>2pm in Committee Room 6</b> Deadline for reports: 7 January	Commonwealth Games – National Express Bus Depot Relocation	Clive Heaphy, Interim Chief Executive
	Financial Monitoring 2019/20 – Month 8	Becky Hellard, Interim Chief Finance Officer
<b>10 February 2020</b> <b>10am in Committee Rooms 3&amp;4</b>	Request for Call-In: Single Contractor Negotiations – Clean Air Zone Mitigations Application and Case Management System	Jon Lawton, Cabinet Support Officer/Rajesh Parmar, Senior Solicitor/Mike Smith, Head of Category (Procurement)/Tim Oakley, Assistant Category Manager
<b>13 February 2020</b> <b>2pm in Committee Room 6</b> Deadline for reports: 4 February	Financial Monitoring 2019/20 – Q3(Month 9)	Becky Hellard, Interim Chief Finance Officer
	Financial Plan 2020-2024	Becky Hellard, Interim Chief Finance Officer
<b>12 March 2020</b> <b>2pm in Committee Room 6</b> Deadline for reports: 3 March	Financial Monitoring 2019/20 – Month 10	Becky Hellard, Interim Chief Finance Officer
	ICT Changes Working Group – Report back to Committee	Cllr Meirion Jenkins/Cllr Lisa Trickett
	Procurement and Contract Management	Mike Smith, Head of Commissioning and Procurement/Richard Tibbatts, Head of Contract Management
	Funding of the Commonwealth Games: <ul style="list-style-type: none"> <li>• Athletes Village Revised Full Business Case</li> <li>• Update on Partner Contributions</li> <li>• Corporate Budget Position</li> </ul>	James Hamilton, Project Director, B2022 Capital Programme/Guy Olivant, Major Developments Lead
<b>9 April 2020</b> <b>2pm in Committee Room 6</b> Deadline for reports: 31 March	TBC	

## 2 Items to be programmed

### 2.1 HR and Equalities – *specific areas to be identified (Informal Briefing: Wednesday 2<sup>nd</sup> October)*



## 3 Other Meetings

### Call in

12 June 2019	Disposal of Surplus Properties – Brindley Drive Car Park	Called in
18 July 2019	Procurement Strategy to Support the Fleet Replacement Strategy for Waste Management Service	Not called in
10 February 2020	Single Contractor Negotiations: Clean Air Zone Mitigations Application and Case Management System	Called in

### ICT Changes – Impact on City Council Working Group (Cllr Meirion Jenkins; Cllr Lisa Trickett)

5 November 2019

### Petitions

*None scheduled*

### Councillor Call for Action requests

*None scheduled*

## 4 Forward Plan for Cabinet Decisions

Leader		
007495/2020	Commonwealth Games – Athletes Village Revised Full Business Case	17 Mar 20
007453/2020	Outturn Report 2019/20	26 May 20

Cabinet Member for Finance and Resources		
007252/2020	Signal Hayes Community Resource – Outline Business Case	17 Mar 20
007444/2020	Fees and Charges Review 2020/21	17 Mar 20
007472/2020	Acivico Ltd Corporate Planning and Update	17 Mar 20
007223/2020	Cityserve – Sustainability Plan	21 Apr 20
007538/2020	Disposal of Surplus Properties	23 Jun 20
006620/2019	Procurement Contract	25 Jun 19

