

**Report to EMT
4 September 2018
Month 4 Revenue Management**

1. Actions / Decisions required of EMT

- Review the overall Month 4 revenue monitoring position for 2018/19.
- Note the summary of Savings Delivery in Appendix Aii.
- Agree how further mitigating actions will be developed to address the forecast overspend described in part e.
- Review the key issues and movements in forecast overspend described in parts f and g.

In Relation to Reserves:

- Note Strategic Services proposal not to repay the World Indoor Athletics Negative Reserve, as referred to in part b.
- Agree whether to support the proposed use of reserves to mitigate Place Directorates forecast overspend.
- Agree release of reserves for Local Innovation Fund (LIF)
- Agree the use of Business Rates related grant reserves set aside at outturn 2017/18 to fund the 2018/19 shortfall in government grants.
- Agree the use of Policy Contingency underspends brought forward from Outturn 2017/18 of £2.0m in relation to the Mobile Investment Fund in Economy.

2. Purpose of Report

To summarise the overall forecast revenue outturn position for 2018/19 and future year's savings delivery as at Month 4 and to identify / agree strategies to mitigate the forecast overspend.

3. Summary of key issues

a) Overview of Month 4

A gross revenue overspend of £12.1m in 2018/19 is being forecast at Month 4 (Month 3 £17.9m). This is made up of forecast £4.3m base budget overspend (Month 3 £10.1m) and £9.2m of savings not deliverable in 2018/19 (Month 3 £9.1m) offset by partially accelerated achievement of £1.4m (No Change) of the efficiency target of £5.7m. No specific mitigations have been identified yet.

Meetings have been held with Councillor O'Reilly and Directorates to identify further mitigations on the 9th and 13th August. Actions agreed will be reflected in the Month 5 report where appropriate.

The position is summarised in Table 1 overleaf.

This is an improvement of £5.8m since Month 3. The reduction in forecast overspends comes from general base budget management discussed in part f.

Appendix A i)

Table 1 - Summary forecast position of base budget and undeliverable savings

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- The total forecast overspend of £12.1m is related to overspends for Place Directorate (£8.3m), Children and Young People (£2.7m) and Economy (£1.1m), offset by underspends for Finance & Governance (£0.7m) and Strategic Services (£0.3m). There are also £1.1m of Corporate overspends.
- In the case of Place Directorate, the overspend of £8.3m relates to Waste Management services of £5.3m and Markets £0.7m, offset by other directorate net savings of £0.9m. In addition there are some savings delivery challenges totalling £3.2m.
- Children & Young People (CYP) relates largely to savings delivery challenges on Travel Assist.
- Economy Directorate relates largely to savings shortfall in Inreach and Birmingham Property Services
- Adult Social Care and Health is now forecast to be balanced.
- There is a savings shortfall of £0.3m on Other Corporate Items relating to the Corporate structure
- There is a forecast corporate base budget overspend of £0.8m, relating to Acivico.
- Strategic Services are now forecasting a £0.3m underspend
- Chief Executive and Assistant Chief Executive Directorate is forecasting a balanced position and there are £0.7m underspends in Finance & Governance
- Further work is being undertaken in conjunction with Acivico to establish the expected trading position for the company in 2018/19 and to consider any risk that there could be further costs which the Council will need to meet. The outcome of this will be reflected in future monitoring reports.

b) Reserves

- In line with the Council Plan and Budget 2018+ agreed in February 2018, the Council is planning for the strategic use of £30.5m of Corporate Reserves in 2018/19.
- In addition, there are both planned uses of and contributions to Other Reserves. A net contribution of £1.9m to Other Reserves was assumed as part of setting the budget.
- There has been no change to the planned strategic use of Reserves to balance the budget.
- There are £2.5m of additional forecast use of other Reserves including a lower than anticipated contribution to the Commonwealth Games Contingency Reserve of £1.5m, a £0.6m deferral of budgeted repayment of schools balances, a net use of grant reserves of £0.3m and the net use of other earmarked reserves of £0.1m.
- The net forecast overspend above includes the following assumptions:
 - i. Contributions to Reserves:
 - Strategic Services are not making a planned contribution of £0.7m to the World Indoor Athletics (WIA) Negative Reserve in order to mitigate lower than anticipated outdoor advertising income. The Directorate is expected to generate extra income on outdoor advertising or find alternative ways to make repayment to the negative reserve. This is not reflected in Table 2 below.
 - Children & Young People are deferring budgeted repayment of £0.6m to schools balances to mitigate base pressures. This was assumed at Month 3.
 - Finance & Governance are anticipating £0.9m contributions to Reserves relating, mainly, to a SAP development underspend.
 - ii. Use of Reserves:
 - Finance & Governance are not using a budgeted appropriation from Reserves of £0.3m for Audit, thus reducing their underspend.
 - Place are using Adult Education ring fenced Grant Reserve of £0.2m to mitigate base budget pressures including one off Adult Education costs of staffing changes and IT.

- Requests for access to earmarked Use of Reserves:
 - Place are requesting the release of reserves relating to the Local Innovation Fund (LIF). Expenditure on projects in relation to this, which include conditions of grant aid, will be completed in 2018/19 for which this funding has specifically been set aside.
 - At outturn 2017/18 there was a £2.1m corporate contribution to reserves relating to Business Rates compensatory grants which is intended to be used to offset a shortfall as a result of downwards adjustments to these grants by Central Government in 2018/19 as a result of a calculation error on their part. This shortfall became apparent after the budget for 2018/19 was set.
 - Economy are requesting the use of Policy Contingency underspends from Outturn 2017/18 of £2.0m in relation to the Mobile Investment Fund.

Table 2 below shows the forecast use of Reserves in 2018/19:

Table 2 - 2018/19: (Use of)/Contribution to Reserves as at Month 4

	Planned Base Budget £m	Year End Forecast as at Month 4 £m	Variance £m
Corporate Reserves			
Use of Organisational Transition Reserve (PFS)	(3.902)	(3.902)	0.000
Use of Financial Resilience Reserve	(11.575)	(11.575)	0.000
Use of One Off Resources from Previous Years	(13.250)	(13.250)	0.000
Treasury Management	(1.815)	(1.815)	0.000
Strategic Use of Reserves	(30.542)	(30.542)	0.000
Contribution to Capital Fund	3.326	3.326	0.000
Business Rates Appeals	9.349	9.349	0.000
Cyclical Maintenance	2.540	2.540	0.000
Commonwealth Games Contingency Reserve	4.746	3.254	(1.492)
Other (Use of)/Contribution to Reserves	19.961	18.469	(1.492)
Sub Total (Use of)/Contribution to Reserves	(10.581)	(12.073)	(1.492)
Repayments - Borrowing Highways PFI	0.985	0.985	0.000
Total Corporate (Use of)/Contribution to Reserves	(9.596)	(11.088)	(1.492)
Other Reserves			
Use of Grant Reserves	(8.594)	(8.923)	(0.329)
Contribution to Grant Reserves	1.477	1.477	0.000
Use of Other Earmarked Reserves	(14.848)	(14.971)	(0.122)
Contribution to Other Earmarked Reserves	2.364	2.364	0.000
Repayment of Schools' Balances	0.600	0.000	(0.600)
Use of Carry Forward Balances	(0.025)	(0.025)	0.000
Total Other (Use of)/Contribution to Reserves	(19.027)	(20.078)	(1.051)
Total (Use of)/Contribution to Reserves	(28.623)	(31.166)	(2.543)

c) Overview of Efficiency Target

£5.7m of the FRR has been utilised in 2018/19 in order to allow time for services to identify in full their efficiency plans. The budget figures have been based on achieving those savings from 2019/20. However, there is an expectation placed on Corporate Directors to develop plans to deliver efficiency savings in 2018/19.

The current forecast position on delivering the efficiency target is summarised in Table 3 below:

Table 3 – Summary of Efficiency Targets

Directorates	Budget		Forecast Achievability in 2018/19	Forecast Achievability in 2019/20
	2018/19 £m	2019/20 £m	Delivery £m	Delivery £m
Adult Social Care & Health Directorate	0.000	(2.391)	0.000	(2.391)
Children & Young People Directorate	0.000	(0.664)	0.000	0.000
Place Directorate	0.000	(1.248)	0.000	(1.248)
Economy Directorate	0.000	(0.739)	(0.739)	(0.739)
Strategic Services Directorate	0.000	(0.354)	(0.354)	(0.354)
Finance & Governance Directorate	0.000	(0.244)	(0.244)	(0.244)
Chief Executive & Assistant Chief Executive	0.000	(0.025)	(0.025)	(0.025)
Total	0.000	(5.665)	(1.362)	(5.001)

d) Overview of Future Years

In future years, there are forecast savings that are not fully deliverable of £5.7m in 2019/20, reducing to £5.5m in 2021/22.

Deliverability issues identified by Directorates are summarised in Table 4 below:

Table 4 – Summary of Delivery in 18/19 and Future Years

Directorate	2018/19			2019/20	2020/21	2021/22
	At Risk (£m)	One off Mitigations (£m)	Non-Delivery (£m)	Non-Delivery (£m)	Non-Delivery (£m)	Non-Delivery (£m)
Adult Social Care & Health Directorate	4.446	5.836	0.000	0.000	0.000	0.000
Children & Young People Directorate	0.270	0.000	1.746	1.510	1.722	1.722
Place Directorate	0.699	0.000	3.237	0.000	0.000	0.000
Economy Directorate	0.403	1.000	3.340	3.429	3.406	3.145
Strategic Services Directorate	0.430	5.429	0.090	0.778	0.667	0.667
Finance & Governance Directorate	0.025	0.009	0.500	0.000	0.000	0.000
Chief Executive & Asst Chief Exec Dir.	0.000	0.000	0.000	0.000	0.000	0.000
Total Directorates	6.273	12.274	8.913	5.717	5.795	5.534
Corporate Savings	0.300	1.105	0.300	0.000	0.000	0.000
Grand Total	6.573	13.379	9.213	5.717	5.795	5.534

The lack of detail in some implementation plans provided means that it is not clear that all savings currently shown as deliverable will be fully delivered. Further work is being undertaken to refine these plans as part of the budget process and as follow up to the last EMT Away Days.

e) Mitigations within the Base Budget

Base budget overspends have been reduced by a number of mitigating actions. These are not separately identified in Table 1 above. Table 5 below summarises pressures and mitigations within the base budget forecasts, and whether they are considered to be one-off or permanent pressures or mitigations.

Overall, £8.1m of mitigations within the base budget are considered to be one-off mitigations. After taking into account the £13.4m of one-off mitigations to savings programmes shown in Table 4, there is a total of £21.5m of one-off mitigations taken into account within the base budget and savings non-delivery.

Table 5 – Summary of Pressures and Mitigations within base budget over/(under)spends

Directorate	2018/19			2018/19			2018/19		
	One-off pressures (£m)	On-going pressures (£m)	Total pressures (£m)	One-off mitigations (£m)	Permanent mitigations (£m)	Total mitigations (£m)	One-off total (£m)	on-going total (£m)	base total (£m)
Adult Social Care & Health Directorate	0.3	4.3	4.6	(2.7)	(1.9)	(4.6)	(2.4)	2.4	0.0
Children & Young People Directorate	0.3	1.5	1.8	(0.9)	0.0	(0.9)	(0.6)	1.5	0.9
Place Directorate	4.6	1.6	6.2	(0.4)	(0.7)	(1.1)	4.2	0.9	5.1
Economy Directorate	0.8	0.8	1.6	(3.1)	0.0	(3.1)	(2.3)	0.8	(1.5)
Strategic Services Directorate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finance & Governance Directorate	0.0	0.0	0.0	(1.0)	0.0	(1.0)	(1.0)	0.0	(1.0)
Chief Executive & Asst Chief Exec Dir.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Directorates	6.0	8.2	14.2	(8.1)	(2.6)	(10.7)	(2.1)	5.6	3.5
Corporate Savings	0.0	0.8	0.8	0.0	0.0	0.0	0.0	0.8	0.8
Grand Total	6.0	9.0	15.0	(8.1)	(2.6)	(10.7)	(2.1)	6.4	4.3

f) Key issues

The following key areas are highlighted in the Month 4 position:

Summary comments

- There are base budget pressures of £4.3m identified at Month 4
- There are £9.2m of savings identified as not deliverable at Month 4
- There are other savings of £6.6m that have been identified as at risk and £13.4m that are being covered by one off mitigations
- Not all Directorates have identified plans to accelerate achievement of the efficiency savings in 2018/19.
- Meetings have been held with Councillor O'Reilly and Directorates to identify further mitigations on the 9th and 13th August. Updates from these meetings will be included in the Report to be considered at EMT on 28th August where appropriate.
- There are a number of implementation plans that have insufficient detail.

The remaining parts to section f are summary descriptions of the position for each Directorate including a split between Base Budget and Savings where appropriate.

Adult Social Care and Health (ASC&H) – Net underspend (£0.038m)

- There are base pressures on Packages of Care of £4.3m before mitigations of £4.5m were identified. It should be considered whether Older Adults placements can be moved on to the new framework contract at a faster pace.
- There are £0.2m other net overspends.
- Additional pressures from young people transitioning into Adult Care of £19m by 2021/22 are reported. The current assumption is that the “Transition Project” (reported to Cabinet in June) will mitigate these pressures.
- There has been use of £5.8m of IBCF to mitigate savings non-delivery in 2018/19.
- No implementation plans to deliver the efficiency savings have yet been identified for the current year or future years.

Children and Young People (C&YP) - Net overspend £2.6m

- Travel Assist – The Directorate is reporting a £1.5m base budget pressure and £1.3m non-achievement of savings. The Directorate has identified that a potential mitigation would be to reduce guides from September 2018 but it has also stated that this would be high risk and possibly require Cabinet approval. This potential mitigation was identified last month but it is unclear what progress has been made.
- There is also a forecast base budget pressure of £0.3m in Day Nurseries which cannot close until April 2019 at the earliest due to a delayed Cabinet Report. If not agreed by Cabinet this will be an on-going pressure.
- A one off saving of £0.6m has been identified by deferring repayment to school balances.
- No savings have been identified for £0.4m of the C&YP share of WOC Savings.
- Other minor underspends of £0.3m have been identified.
- No plans to deliver the efficiency savings have yet been identified for the current year or future years.
- No mitigations have been identified yet for the base pressures and non-delivery of savings.

Place - Net overspend £8.3m

- Place is forecasting an overspend of £8.3m (Month 3 £10.8m)
- There are £5.1m of base pressures reported (Month 3 £7.3m) comprising:
 - £5.3m (Month 3 £5.3m) relating to Waste Services – This is due to the delay in the implementation of the 5 day working week until 1 September (£1.8m), on-going commercial volatility and lower paper market prices (£1.2m), lower fleet services recharge income due to reduced demand from internal Council customers (£0.7m) and residual matters relating to external contractors commissioned during the industrial dispute (£1.6m) - (the projection assumes that the implementation of the Memorandum of Understanding agreed with the trades unions is cost neutral)
 - £0.7m for Markets (Month 3 £1.2m) – Due mainly to the transitional costs arising from the relocation of the wholesale market.
 - £0.2m overspend on Equalities and Community Cohesion/CCTV.

Offset by:

- underspends of £0.2m (Month 3 £0.4m overspend) for the Homeless Services (Housing Options) and other directorate underspends of £0.9m, mainly comprising £0.5m Private Sector Housing, £0.2m Adult Education and £0.1m Parks.
- There are £3.2m of savings forecast not to be delivered (Month 3 £3.5m) comprising:

- Waste Services (SN6) £0.4m – Capacity Fee and Overrun Agreement (pending the procurement of the new contract from October 2019) – this is the element that may not be realisable from the total of £1.8m based on the current position on the negotiations of the agreement. However, the focus on this will be continued as the negotiations progress to further improve the position.
 - Disposal of Parks Land (SN45) £0.5m – expected 8 acres per year subject to approval by Property Board (and prior year savings on Cofton Nursery)
 - Asset and Property Disposal Programme (HN7) £0.7m - £8m per annum to generate a revenue saving subject to approval by Property Board
 - Cross Cutting Workforce Savings £1.4m – £1.1m is achieved from the total of £2.5m (the non-delivery of £1.4m includes £0.8m for Waste Services). Plans are in development for a refreshed approach to delivery that will take a whole Directorate view rather than pro-rating savings to individual service areas.
 - Pension Strain Costs from Prior Years £0.2m
- There are Inter-Directorate Transfers of services planned for Markets from Place to Economy. However, a £0.7m pressure remains on this service and the transfer will not take place until this is resolved.
 - No plans to deliver the efficiency savings have yet been identified for the current year or future years.

Economy - Net overspend £1.1m

- Economy has a forecast £1.5m base budget underspend.
 - This includes pressures of £1.6m (made up by £0.5m for the loss of CAB income, £0.5m in year deficit on Street Lighting, £0.3m in year deficit on Licences and Permit Income and £0.3m Facilities Management (FM)- over recent years FM's year-end outturn position has been one of deficit, with the position for 2017/18 totalling £0.3m).
 - These are offset by forecast underspends of £3.1m (made up by £0.7m Civil Parking Enforcement, £0.3m Car Parking Income, £0.5m prudential borrowing, £0.3m HMMPFI Superannuation, £0.3m Developers Fee Income, and £1.0m other variations)

Economy is reporting Savings non-delivery of £3.3m.

- £1.4m is for CAB Buildings, after mitigations. There is a proposal to re-apportion costs across the Council, but this will only spread the overspend across Directorates, not provide a solution.
 - There is also £1.6m non-delivery of InReach savings, largely due to delays. Parts of the scheme are still awaiting approval from the Secretary of State. Due to delays in obtaining a formal decision, this part of the saving is assumed not be achievable.
 - There is a shortfall of £0.3m in savings on Expansion of City Centre parking due to delays. The scheme is now expected to deliver savings from February 2019.
- Economy has accelerated its efficiency savings to cover its target of £0.7m in the current year as required.

Finance and Governance (F&G) - Net underspend (£0.7m)

- F&G has a base underspend of £1.0m. This largely relates to an underspend on SAP Development.
- F&G has reported that £0.5m of Legal savings may not be achieved. A service review paper was agreed by CMT on 25th June. If full year charges can be made to Directorates, then the full saving may be made. But charges for partial year may result in a savings shortfall.

- F&G has accelerated its efficiency savings to cover its target of £0.2m in the current year as required.

Strategic Services - Net underspend (£0.3m)

- Strategic Services has not identified any base pressures.
- There are £0.1m (Month 3 £0.9m) of ICT&D savings shown as unachievable. This is after one off mitigations of £4.4m.
- HR has £0.2m of WOC savings that the Service considers unachievable in the short term while the new service model is implemented. These are expected to be mitigated in the short term with vacancy management.
- There are no plans to deliver future years increases in WOC savings.
- Strategic Services has identified plans for all of its £0.4m efficiency savings target in the current year. The share for HR has been shown as not achievable whilst the new service model is implemented, but is expected to be mitigated in the short term with vacancy management.

Chief Executive and Assistant Chief Executive - Net underspend (£0.025m)

- The Directorate is expecting to be within budget and achieve its share of savings.
- It is expecting to achieve its efficiency target in the current year.

Corporate Position - Net overspend £1.1m

- No templates have been received for any corporate savings apart from the Commercialism savings.
- There is a target of £1.2m from Commercialism savings. The template only expects a very small amount to be achieved in year as planned, with the rest achieved by one-off mitigations. It is essential that there is clear relationship between savings attributed to Commercialism and individual Directorate proposals to avoid the risk of double counts.
- There is a target of £0.6m from the planned review of senior structures. It has been assumed for this report that £0.3m of the savings are not achieved and £0.3m is at risk. It is assumed this will be fully delivered in future years.
- There is a forecast overspend of £0.7m related to budgeted Acivico profit share that, to be prudent, is being treated as unachievable, and a further £0.1m forecast costs for charges such as archiving and unfunded Highbury Hall costs.
- No corporate mitigations have been assumed at this stage.
- However, further work is being undertaken in conjunction with Acivico to establish the expected trading position for the company in 2018/19 and to consider any risk that there could be further costs which the Council will need to meet. The outcome of this will be reflected in future monitoring reports.

g) Key Movements since Month 3 - £5.8m Net Improvement in 2018/19

The following areas are the main movements since Month 3:

Base Budget – Net Improvement £5.8m

- **Place** - Housing Options – reduction of £0.6m forecast due to alternative strategy to reduce the use of B&Bs.
- **Place** - Markets – reduction of £0.5m forecast due to reduction in the anticipated costs of NNDR
- **Place** – Other Directorate Improvements of £1.1m

- The Directorate is reporting underspends totalling £0.7m across other services including a pressure of £0.2m for CCTV offset by other directorate underspends of £0.9m, mainly comprising £0.5m Private Sector Housing, £0.2m Adult Education use of reserves and £0.1m Parks. This is compared to a previous overspend at month 3 on other directorate services of £0.4m relating to pension fund costs and inflationary cost pressures relating to pay awards.
- **Economy** – Further net underspends of £1.4m identified, including £0.5m Prudential Borrowing and £0.3m Developer Fee Income and £0.6m other net improvements.
- **Childrens** – further minor saving of £0.1m has been identified.
- **Adults** – Packages of Care-£1.9m improvement in forecast partially offset by £0.3m other net worsening across the service.
- **Finance & Governance** - £0.8m underspend forecast related to SAP Development partially offset by £0.2m other net worsening across the service.

Savings Non-Delivery – Net Worsening £0.1m

- **Finance & Governance** – £0.5m of Legal savings are now forecast not to be delivered.
- **Economy** – Inreach non-delivery assumed to be £0.4m worse due to delays in getting scheme approved by Secretary of State
- **Economy** – On-street Parking non-delivery in 2018/19 assumed to be £0.3m due to consultation delays

Partially offset by:

- **Strategic Services** - £0.8m one off reduction in under-achievement of ICT savings following review of investment programme and identification of further savings.
- **Place** - £0.3m reduction/improvement in under-achievement of cross cutting workforce savings (WOC1).