Month 8 Revenue Management

1. Actions / Decisions required of EMT

1.1 Review the overall Month 8 revenue monitoring position for 2018/19 and the summary of Savings Delivery in Appendix Aii.

1.2 Agree how further mitigating actions will be developed to address the forecast overspend described in section 3.

1.3 Review the key issues and movements in forecast overspend described in sections 8 and 9.

1.4 Note the balanced position forecast on the Housing Revenue Account (HRA), as detailed in section 8.10 of this report.

1.5 Note the deficit forecast on the Dedicated Schools Grant (DSG), as detailed in section 8.11 of this report.

1.6 Note the planned uses of Reserves, as detailed in section 4 of this report.

2. Purpose of Report

To summarise the overall forecast revenue outturn position for 2018/19 and future year's savings delivery as at Month 8 and to identify / agree strategies to mitigate the forecast overspend.

3. Overview of Month 8

3.1 A net Base Budget General Fund revenue overspend of **£3.2m** in 2018/19 is being forecast at Month 8 (Month 7 £8.8m). This is made up of forecast £5.1m underspend on base budget (Month 7 balanced) and £9.7m of savings not deliverable in 2018/19 (Month 7 £10.2m) offset by partially accelerated achievement of £1.4m (No Change) of the efficiency target of £5.7m. The position is summarised in Table 1 below.

3.2 This is an improvement of **£5.6m** since Month 7. The decrease in forecast overspends comes largely from general base budget management discussed in section 8.

3.3 The key movements from Month 7 are improvements for Adult Social Care & Health (£2.1m), Strategic Services (£1.3m), Children & Young People (£0.3m), Place (£1.3m), Economy (£0.5m), and Corporate items (£0.1m).

3.4 The Dedicated Schools Grant (DSG) is also forecast to be overspent by £4.8m. This largely relates to the High Needs element of the DSG. The Directorate is pursuing further mitigations to address this.

3.5 Please note that the forecast DSG overspend has not previously been shown within the monthly reports to EMT, although it was referred to in the Month 3 and Month 6 Cabinet Reports. At Month 7, the forecast overspend was £3.4m, so there has been an adverse movement of £1.4m.

3.6 Star Chamber Meetings have been held on 10th December to identify further strategies to improve the budget position..

Appendix A i)

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

Directorate	Current Budget	Base Budget Overspend/(Underspend) as at			Savings not Deliverable as at			Efficiency Target as at			Total Forecast Overspend/(Underspend) as at		
		Month 8	Month 7	Movement	Month 8	Month 7	Movement	Month 8	Month 7	Movement	Month 8	Month 7	Movement
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adult Social Care & Health Directorate	336.068	(4.986)	(2.877)	(2.109)	0.000	0.000	0.000	0.000	0.000	0.000	(4.986)	(2.877)	(2.109)
Children & Young People Directorate	236.288	1.597	1.591	0.006	1.300	1.593	(0.293)	0.000	0.000	0.000	2.897	3.184	(0.287)
Place Directorate	136.514	5.078	6.214	(1.136)	2.710	2.910	(0.200)	0.000	0.000	0.000	7.788	9.124	(1.336)
Economy Directorate	97.073	(2.653)	(2.153)	(0.500)	3.792	3.792	0.000	(0.739)	(0.739)	0.000	0.400	0.900	(0.500)
Strategic Services Directorate	27.537	(1.383)	(0.122)	(1.261)	0.000	0.000	0.000	(0.276)	(0.276)	0.000	(1.659)	(0.398)	(1.261)
Human Resources	6.482	(0.253)	(0.253)	0.000	0.000	0.000	0.000	(0.078)	(0.078)	0.000	(0.331)	(0.331)	0.000
Finance & Governance Directorate	30.358	(1.006)	(1.006)	0.000	0.000	0.000	0.000	(0.244)	(0.244)	0.000	(1.250)	(1.250)	0.000
Chief Executive & Assistant Chief Executive	2.919	0.000	0.000	0.000	0.000	0.000	0.000	(0.025)	(0.025)	0.000	(0.025)	(0.025)	0.000
Sub-total Directorates Position	873.239	(3.606)	1.394	(5.000)	7.802	8.295	(0.493)	(1.362)	(1.362)	0.000	2.834	8.327	(5.493)
Policy Contingency	5.098	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Corporate Savings		0.000	0.000	0.000	1.858	1.858	0.000	0.000	0.000	0.000	1.858	1.858	0.000
Other Corporate Items	(23.148)	(1.503)	(1.431)	(0.072)	0.000	0.000	0.000	0.000	0.000	0.000	(1.503)	(1.431)	(0.072)
Sub-total Corporate Position	(18.050)	(1.503)	(1.431)	(0.072)	1.858	1.858	0.000	0.000	0.000	0.000	0.355	0.427	(0.072)
City Council General Fund	855.189	(5.109)	(0.037)	(5.072)	9.660	10.153	(0.493)	(1.362)	(1.362)	0.000	3.189	8.754	(5.565)
Housing Revenue Account (HRA)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
City Council	855.189	(5.109)	(0.037)	(5.072)	9.660	10.153	(0.493)	(1.362)	(1.362)	0.000	3.189	8.754	(5.565)

4. Reserves

4.1 In line with the Council Plan and Budget 2018+ agreed in February 2018, the Council planned 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.

4.2 There has been a £4.0m reduction (no change since Month 7) in the planned strategic use of Reserves to balance the budget.

4.3 There is a £2.3m (£5.8m Month 7) net reduction in the forecast use of Reserves compared to the budget, as can be seen in Table 2 below.

4.4 Annex 1 (Uses of Reserves approved by Month 7) details the uses of Reserves previously agreed.

4.5 **The following are the new proposed uses of Reserves in Month 8. Further details of the new proposed uses are provided in Annex 2.**

4.6 **Contributions to Business Rates Reserves (£2.3m reduction in Contributions)**

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

4.7 Grant Reserves (£0.2m net increase in Use)

- £0.04m use of the Modern Slavery reserve to set up a Modern Slavery Victim Pathway Pilot
- £0.5m use of Trailblazer Housing Options Grant reserve to reform service delivery and create innovative homelessness prevention activities
- £0.3m net contribution to Section 106 reserves

4.8 **Contribution to Other Earmarked Reserves (£0.7m reduction in contributions)**

- £1.0m one-off funding was provided for in the Benefits Service (Housing Benefit Subsidy) to repay £1m use of Subsidy reserve that was expected to be utilised in 2017/18. This was generated by additional Single Person Discount income and this use was agreed by the Interim Chief Financial Officer in 2017/18. However, the £1.0m was not drawn down as anticipated in 2017/18 due to other solutions being identified. As the budget was contingent on repaying the reserve, it is considered that this can be returned corporately, and improve the revenue position by £1.0m.
- £0.3m contribution to reserves for insurance monies received in response to a claim for the historic barn that burnt down at Manor Farm Park in order to procure replacement.

4.9 Use of Other Earmarked Reserves (£0.2m net increase in Use)

- £0.2m use of Proceeds of Crime Act (PoCA) reserve to partly fund the expenditure on community and crime prevention projects. The use of this reserve has been approved in November 2018 at Licensing and Public Protection Committee (LPPC).
- £0.03m use of reserve toward the cost of Indoor Sports Track subvention at the NIA for the national athletic championships.

- £0.02m use of reserves to provide for costs of maintaining the Leisure Flex system whilst another system is procured.

4.10 Table 2 below shows the forecast use of Reserves in 2018/19 and Table 2a shows the forecast impact on Reserves balances. Both tables assume the reserves movements identified above are approved.

Table 2 - 2018/19: (Use of)/Contribution to Reserves as at Month 8

	Planned Base Budget £m	Year End Forecast as at Month 8 £m	Variance £m
Corporate Reserves			
Use of Organisational Transition Reserve (PFS)	(3.902)	(3.902)	0.000
Use of Financial Resilience Reserve	(11.575)	(11.575)	0.000
Use of One Off Resources from Previous Years	(13.250)	(9.250)	4.000
Treasury Management	(1.815)	(1.815)	0.000
Strategic Use of Reserves	**(30.542)**	**(26.542)**	**4.000**
Contribution to Capital Fund	3.326	2.821	(0.505)
Business Rates Appeals	9.349	7.000	(2.349)
Cyclical Maintenance	2.540	2.540	0.000
Commonwealth Games Contingency Reserve	4.746	3.254	(1.492)
Other (Use of)/Contribution to Reserves	**19.961**	**15.615**	**(4.346)**
Sub Total (Use of)/Contribution to Reserves	**(10.581)**	**(10.927)**	**(0.346)**
Repayments - Borrowing Highways PFI	0.985	0.985	0.000
Total Corporate (Use of)/Contribution to Reserves	**(9.596)**	**(9.942)**	**(0.346)**
Other Reserves			
Use of Grant Reserves	(17.894)	(19.232)	(1.338)
Contribution to Grant Reserves	1.477	20.957	19.480
Use of Other Earmarked Reserves	(5.548)	(20.602)	(15.054)
Contribution to Other Earmarked Reserves	2.364	2.547	0.183
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)**	**(16.356)**	**2.671**
Total (Use of)/Contribution to Reserves	**(28.623)**	**(26.297)**	**2.326**

Table 2a Forecast : Impact on Reserve Balances

	Outturn 2017/18 £m	Planned Base Budget (Use)/Contribution to Reserves £m	(Use)/Contribution to Grant Reserves Approved at Outturn £m	Further (Use)/Contribution to Reserves Approved in Year £m	Forecast Balance as at 31 March 2019 £m
Organisational Transition Reserve	41.486	(3.902)	0.000	0.000	37.584
Financial Resilience Reserve	98.283	(11.575)	0.000	0.000	86.708
General Fund Balance	28.944	0.000	0.000	0.000	28.944
Carry Forward Balances	1.755	(0.025)	0.000	0.000	1.730
Schools' Reserves	35.827	0.600	0.000	(0.600)	35.827
Strategic Other Earmarked Reserves	74.344	4.896	0.000	(0.346)	78.894
Other Earmarked Reserves	56.513	(3.185)	(14.378)	(0.493)	38.457
Grant Reserves	171.984	(15.432)	(3.078)	21.221	174.694
	509.136	**(28.623)**	**(17.456)**	**19.782**	**482.839**

5. Overview of Efficiency Target

5.1 £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.

5.2 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	(0.664)
Place Directorate	0.000	(1.248)	0.000	(1.248)
Economy Directorate	0.000	(0.739)	(0.739)	(0.739)
Strategic Services Directorate	0.000	(0.276)	(0.276)	(0.276)
Human Resources	0.000	(0.078)	(0.078)	(0.078)
Finance & Governance Directorate	0.000	(0.244)	(0.244)	(0.244)
Chief Executive & Assistant Chief Executive	0.000	(0.025)	(0.025)	(0.025)
Total	**0.000**	**(5.665)**	**(1.362)**	**(5.665)**

6. Overview of Future Years

6.1 In future years, there are forecast savings that are not fully deliverable of £8.9m in 2019/20, reducing to £7.6m 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 At Risk (£m)	2018/19 One off Mitigations (£m)	2018/19 Non-Delivery (£m)	2019/20 Non-Delivery (£m)	2020/21 Non-Delivery (£m)	2021/22 Non-Delivery (£m)
Adult Social Care & Health Directorate	0.000	1.690	0.000	0.000	0.000	0.000
Children & Young People Directorate	0.270	0.000	1.300	1.754	1.974	1.974
Place Directorate	0.000	0.469	2.710	2.500	2.500	2.500
Economy Directorate	0.403	0.715	3.792	3.438	2.665	1.828
Strategic Services Directorate	0.400	5.345	0.000	1.000	1.000	1.000
Human Resources	0.000	0.204	0.000	0.000	0.000	0.000
Finance & Governance Directorate	0.000	0.025	0.000	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	**1.073**	**8.448**	**7.802**	**8.692**	**8.139**	**7.302**
Corporate Savings	0.000	0.000	1.858	0.206	0.271	0.271
Grand Total	**1.073**	**8.448**	**9.660**	**8.898**	**8.410**	**7.573**

6.2 Further work is being undertaken to refine the implementation plans as part of the budget process.

7. Mitigations within the Base Budget

7.1 Base budget overspends have been reduced by a number of mitigating actions. These are not separately identified in Table 1 above. Table 6 below summarises pressures and mitigations within the base budget forecasts, and whether they are considered to be one-off or permanent pressures or mitigations.

7.2 Overall, £25.6m of mitigations within the base budget are considered to be one-off mitigations. After taking into account the £8.5m of one-off mitigations to savings programmes shown in Table 4, there is a total of £34.1m of one-off mitigations across the base budget and savings programmes.

Table 6 – Summary of Pressures and Mitigations within base budget over/(under)spends

	2018/19			2018/19			2018/19		
Directorate	**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	2.5	1.9	4.4	(7.5)	(1.9)	(9.4)	(5.0)	0.0	(5.0)
Children & Young People Directorate	1.3	2.5	3.8	(2.2)	0.0	(2.2)	(0.9)	2.5	1.6
Place Directorate	5.0	3.3	8.3	(2.7)	(0.5)	(3.2)	2.3	2.8	5.1
Economy Directorate	0.8	0.8	1.6	(4.3)	0.0	(4.3)	(3.5)	0.8	(2.7)
Strategic Services Directorate	1.2	0.0	1.2	(2.6)	0.0	(2.6)	(1.4)	0.0	(1.4)
Human Resources	0.0	0.0	0.0	(0.2)	0.0	(0.2)	(0.2)	0.0	(0.2)
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	**10.8**	**8.5**	**19.3**	**(20.5)**	**(2.4)**	**(22.9)**	**(9.7)**	**6.1**	**(3.6)**
Corporate	2.8	0.8	3.6	(5.1)	0.0	(5.1)	(2.3)	0.8	(1.5)
Grand Total	**13.6**	**9.3**	**22.9**	**(25.6)**	**(2.4)**	**(28.0)**	**(12.0)**	**6.9**	**(5.1)**

8. Summary comments

This section provides summary descriptions of the position for each Directorate, including a split between Base Budget and Savings where appropriate.

8.1 Adult Social Care and Health (ASC&H) – Net underspend (£5.0m) (Month 7 £2.9m underspend)

8.1.1 The Directorate senior management have reviewed spend against a range of non-pay and non-packages of care budgets. The Directorate has also identified capital resources to fund expenditure on the Equipment Loans Store. This has identified a saving of £1.0m (no movement from Month 7)

8.1.2 There are base pressures on Packages of Care of £3.6m (Month 7 £2.9m) before mitigations of £7.4m (Month 7 £5.3m) were identified relating to reduced projection of Residential Care cost of £1.8m (Month 7 £1.5m), additional income from Joint Funded Mental Health placements of £1.8m (no change), increased forecast collection of Client Contributions of £2.7m (Month 7 £1.2m) and recoupment of Direct Payments of £1.1m (Month 7 £0.8m).

8.1.3 There is a £0.6m staffing pressure on Specialist Care Services (Month 7 1.1m) due to an ongoing dispute relating to Enablement Service reduction and the Day Care savings. This is partially mitigated by £0.8m through identifying capital resources to fund expenditure on assistive equipment.

8.1.4 Assessment and Support Planning (ASP) is forecasting an overspend of £0.2m (Month 7 £0.3m) which mainly relates to agency costs due to delays in recruiting social workers.

8.1.5 There are other minor underspend of £0.2m. (Month 7 £0.1m)

8.1.6 The Directorate's savings programme includes two savings which will not be delivered in the way originally anticipated: the changes to the School Health Service commissioned by Public Health, and the reduced contribution to the bad debt provision. These will be mitigated within Public Health from reduced activities levels in other services and higher than anticipated vacancy levels and additional income, particularly around joint funded packages of care.

8.1.7 Processes have been put in place to assign budgets at a locality level with increased oversight and accountability for spend. This along with work to implement the improvement programme means that the Directorate is delivering on changes impacting on the staffing budget and overachieving on the packages of care budget of £2.5m. The Directorate therefore will not require any additional mitigation for non-delivery of savings above that assumed in the original budget.

8.2 Children and Young People (C&YP) - Net overspend £2.9m (Month 7 £3.2m)

8.2.1 The Directorate is reporting a £2.2m (no movement since Month 7) base budget pressure and £1.3m (no movement since Month 7) non-achievement of savings in Travel Assist. Changes in the Travel Assist policy and procurement strategy will be necessary in order to mitigate this pressure in future years.

8.2.2 There is also a forecast base budget pressure of £0.5m (no movement since Month 7) in Day Nurseries which cannot close this financial year due to a delayed Cabinet Report. It is likely that any change to services would not be implemented this financial year.

8.2.3 A one off saving of £0.6m has been identified by deferring repayment to school balances. This has been offset by £0.1m other cost pressures in Business Support.

8.2.4 There is an additional grant income of £0.3m (Month 7 £0.3m) relating to Unaccompanied Asylum Seeking Children (UASC).

8.2.5 Schools Centrally Managed Budget is overspend by £0.1m due to shortfall on rent income from surplus properties. This has been offset by £0.2m savings in senior management costs due to vacancies and £0.1m in School Governor Support relating to supplies and services as well as additional income.

8.2.6 Early Years reported a pressure of £0.9m (no movement since Month 7). This is mitigated by a saving of £0.9m assumed on the basis that there is no repayment of Public Health funding required in 2018/19. Any further extension to the secondment agreement into 2019-20 and beyond would mean very significant additional costs for BCC, which the Directorate would need to fund.

8.2.7 There are other miscellaneous savings of £0.2m (Month 7 £0.2m) including funding the asset management pressure from capitalisation.

8.2.8 Based on the Month 8 returns on WOC savings, savings have been identified in Business Support of £0.2m and further savings in Strategic Leadership of £0.1m which means that the WOC saving for 2018-19 is fully achieved (Month 7 £0.3m).

8.2.9 Delivery of the step up in Children's Trust saving of £5.6m by 2021 will be subject to negotiation with the Children's Trust in line with the agreed contractual process.

8.2.10 The SENAR service is facing a funding shortfall of £1.1m in 2019/20 as a result of grant funding running out by 31.01.2019. This is an issue which is being addressed as part of the 2019/20 budget process.

8.3 Place - Net overspend £7.8m (Month 7 £9.1m)

8.3.1 There are £5.1m of base pressures reported (Month 7 £6.2m) comprising:

8.3.2 £5.4m (Month 7 £6.9m) relating to Waste Services as a result of:

- The delay in the implementation of the 5 day working week until 1st September 2018 of £1.7m (no change)

- Whilst the negotiated settlement of the Memorandum of Understanding (MOU) is at a lower cost than that approved by Cabinet in November 2017, the budget was set at a level which did not reflect the true underlying costs. Approval will be sought from Cabinet to a transfer of budget from Policy Contingency of £1.5m to acknowledge the cost of the service. This was reported as a £1.5m overspend at Month 7, but is now not assumed to be an overspend on the assumption that Cabinet approves the budget transfer.

- On–going commercial volatility and lower paper market prices of £1.2m (no change),

- Lower fleet services recharge income due to reduced demand from internal Council customers of £0.7m (no change)

- Residual matters relating to external contractors commissioned during the industrial dispute of £1.6m (no change).

- £0.2m other minor waste collection issues (no change).

8.3.3 £1.2m for Markets (Month 7 £1.1m) – Due mainly to the transitional costs arising from the relocation of the wholesale market. The increased pressure relates to a review of the bad debt provision required.

8.3.4 £0.2m overspend on Equalities and Community Cohesion/CCTV (no change). There have been a number of budget reductions in previous years that have not been fully implemented. This has meant that the budget is not sufficient to support all of the existing cameras. A proposal is being prepared related to removing some of the cameras, which would reduce the annual overspend. However there will be significant one-off costs for removing the cameras and making good the highways / pavements.

8.3.5 These are offset by underspends of £1.7m (Month 7 £2.0m), mainly comprising private sector housing (£0.5m), Adult Education (£0.2m), Bereavement Services (£0.4m), Parks and Nature (£0.1m), , Neighbourhood Community Services (£0.3m), and support costs (£0.2m). There has been a worsening of the forecast position for Housing Options (Homeless Service) from £0.2m underspend to balanced and for Regulatory Services from £0.1m to balanced.

8.3.6 There are £2.7m of savings forecast not to be delivered (Month 7 £2.9m) comprising

- Waste Services £0.4m (no change) – 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. This assessment will be further reviewed and refined to reflect the outcome of negotiations.

- Prior year savings on Cofton Nursery of £0.3m (no change).

- £0.7m Asset and Property Disposal Programme (no change) – Sales of £8m per annum to generate a revenue saving subject to approval by Property Board. These have been delayed due to extended consultation on sites affected.

- Cross Cutting Workforce Savings £1.2m (Month 7 £1.4m) – £1.3m is achieved from the total of £2.5m (the non-delivery of £1.2m includes £0.8m for Waste Services). Plans are in development for a refreshed approach to delivery that will take a whole Directorate view rather than pro-rating savings to individual service areas.

- Pension Strain Costs from Prior Years £0.1m (no change)

8.3.7 No plans to deliver the efficiency savings have yet been identified for the current year or future years.

8.3.8 The Directorate has identified a possible pressure of £3.2m related to Housing Options. The Service continues to be under considerable pressure, both as a result of the number of households presenting as homeless, and due to the limited supply of genuinely affordable housing (both temporary and permanent) in Birmingham. This is resulting in considerable continued reliance on costly and inappropriate Bed & Breakfast accommodation, and there is an increasing risk that this will result in significant additional overspends in 2018/19. Work is continuing within the service to maximise income recovery, minimise costs and to accelerate the programme for bringing Barry Jackson Tower and Magnolia House into use this financial year. This has not been reported as a variation as the Directorate still plans to bring this in within budget.

8.4 Economy - Net overspend £0.4m (Month 7 £0.9m)

8.4.1 Economy has a forecast £2.7m base budget underspend. (Month 7 £2.1m)

~~8.4.2~~ This includes pressures of £1.6m (no change since Month 7) made up by £0.5m for the loss of Central Administrative Buildings income, £0.5m in year deficit on Street Lighting, £0.1m Local Engineering and Car Parking deficit, £0.2m 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).

~~8.4.3~~ These are offset by forecast underspends of £4.3m (Month 7 £3.8m) made up by £1.1m on Planning largely related to additional income, £0.7m Civil Parking Enforcement surplus, £0.1m Car Parking Income surplus, £0.4m prudential borrowing savings due to disposals being realised earlier than financial plans had assumed, £0.3m Highways Maintenance and Management Private Finance Initiative (HMMPFI) Superannuation savings, £0.6m Developers Fee Income surplus, £0.5m savings from part funding the West Midlands Passenger Transport Levy relating to concessionary fares from in-year Bus Lane Enforcement surplus, and £0.6m other variations. The change of £0.5m relates to the partial use of the Bus Lane Enforcement Surplus.

8.4.4 Economy is reporting Savings non-delivery of £3.8m (no change since Month 7). £1.7m is for Central Administrative Buildings savings, after mitigations. There is also £1.6m non-delivery of InReach income targets, largely due to delays. Parts of the scheme have been awaiting approval from the Secretary of State. This has now been received, but the implementation of the saving has been delayed. There is a shortfall of £0.5m in savings on Expansion of City Centre parking income, due to delays. The scheme is now expected to deliver savings from April 2019.

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

8.5 Finance and Governance (F&G) - Net underspend (£1.3m) (No change from Month 7)

8.5.1 F&G has a base underspend of £1.0m (No change from Month 7). This largely relates to an underspend on SAP Development.

8.5.2 F&G is expecting to achieve all of its savings.

8.5.3 F&G has accelerated its efficiency savings to cover its target of £0.3m in the current year as required.

8.6 Strategic Services - Net underspend £1.7m (Month 7 net underspend £0.4m)

8.6.1 Strategic Services is reporting an underspend on the base budget of £1.4m at Month 8 (£0.1m at Month 7) **comprising:**

- A net shortfall in digital advertising income of £1.2m (Month 7 £1.4m) due to build delays, the impact of traffic disruption especially around the Paradise roadworks, and the challenging economic position which is impacting on the ability to sell advertising slots. The latest forecast provided by the contracting partner is a £0.2m improvement.

8.6.2 **This is offset by:**

- £1.0m underspend for Information Communication Technology & Digital Services (ICT&D) no change) - There is now more clarity on the invoice payments and credits in respect of the ICT&D services in 2018/19. In addition, at this stage of the financial year, the additional information and trend analysis identified enables a £1m underspend to be forecast for the service.
- A £0.5m (Month 7 £0.4m) forecast underspend for Business Improvement due to the near completion of the consolidation of budgets and staff resulting in a much clearer position on the forecast for the year. The forecast has improved by a further £0.1m at Month 8.
- A £1.0m underspend on Revenues and Benefits. There is a one-off budget to repay £1.0m use of Housing Benefit Subsidy Reserve that was expected to be utilised in 2017/18. The £1.0m was not drawn down as anticipated in 2017/18, and therefore there is no requirement to repay this. To date, this has been assumed as part of the overall Housing Benefit Subsidy budget and outturn forecast. It is now considered that this can be returned corporately.
- £0.1m (no change) other net underspends.

8.6.4 Strategic Services has identified plans for all its £0.3m efficiency savings target in the current year.

8.7 Human Resources (HR) – Net underspend £0.3m (No change from Month 7)

8.7.1 There is a Base Budget underspend of £0.2m forecast due to pension fund strain costs being met centrally (no change).

8.7.2 A further £0.1m (no change) underspend is forecast within the savings programme as a result of achieving the efficiency target on a short term basis through vacancy management.

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

8.8 Chief Executive and Assistant Chief Executive - Net underspend (£0.025m) (No change from Month 7)

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

8.9 Corporate Position - Net overspend £0.4m (Month 7 £0.4m)

8.9.1 There is a target of £1.2m from Commercialism savings. The template only expects £0.1m to be achieved in year as planned. There was a plan for the remainder to be achieved by one-off mitigations. However, the latest assessment is that it would not be prudent to assume that £1.1m of these will be achieved (no change from Month 7). This will continue to be monitored. The benefits from the actions currently undertaken will show in 2019/20.

8.9.2 There is a target of £0.6m from the planned review of senior structures. It has been assumed for this report that none of the savings are achieved (no change from Month 7). It is assumed this will be fully delivered in future years.

8.9.3 There is non-achievement of £0.2m (no change from Month 7) of Workforce savings that were previously shown against C&YP. It has been established that these savings relate to staff funded by the DSG, so cannot be achieved by the Directorate.

8.9.4 There is a forecast non-achievement of income of £0.7m related to budgeted Acivico profit share that, to be prudent, is being treated as unachievable, and a further £0.1m forecast costs for charges such as archiving and unfunded Highbury Hall costs (no change from Month 7).

8.9.5 Following the report to Cabinet on 11th December regarding Acivico, it is considered that there will be pressure of £2.0m historic issues identified as part of the accounts process, and a forecast pressure of £0.8m relating to the transitional process to move Acivico out of a deficit position.

8.9.6 As a result of the Government refining calculations relating to compensatory grants due for additional Business Rates Reliefs brought in as part of the Budget and Autumn Statement 2016, the Council will receive a further £2.2m of extra section 31 grants in 2018/19 which can be used to mitigate the corporate pressures described above. The Government made this announcement on 31st October 2018. There is no change from Month 7.

8.9.7 It is forecast that the Council's dividend income will be £0.5m higher than was budgeted.

8.9.8 As mentioned earlier, the Council has identified that it can reduce the contribution to the Business Rates Reserves by £2.3m compared to the budget, thus reducing the corporate pressures.

8.10 Housing Revenue Account (HRA) Balanced (No change from Month 7)

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

8.10.2 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.

8.10.3 The forecast year-end financial position is summarised as follows:

8.10.4 Repairs and Maintenance costs are £4.2m below budget, largely due to reduced tenancy transfers and void instances, together with savings on performance payments.

8.10.5 There are minor underspends on Estate Services (£0.2m) and Local Offices/Housing Management (£0.3m).

8.10.6 There is a £0.8m shortfall on Rental Income and Arrears.

8.10.7 Overall therefore, there is a £3.9m underspend forecast before Capital Financing and Debt Repayment, which would allow an increase in debt repayment of £3.9m

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

Table 7: HRA forecast position

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

8.11 Dedicated Schools Grant (DSG) £4.8m overspend (Month 7 £3.4m)

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

Table 8	**Funding**	**Less Recoupment**	**BCC Funding**	**Forecast M8**	**Over/ (Under) M8**	**Over/ (Under) M7**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Schools Block	908.5	(479.5)	429.0	429.0	0.0	0.0
High Needs Block	152.6	(28.5)	124.1	129.1	5.0	3.5
Early Years Block	90.7		90.7	90.7	0.0	0.0
Central Services Block	17.9		17.9	17.7	(0.2)	(0.1)
Total	**1,169.7**	**(508.0)**	**661.7**	**666.5**	**4.8**	**3.4**

8.11.2 The key issues for 2018/19 are as follows:

8.11.3 **Schools Block**

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

8.11.4 **High Needs Block**

- The level of spend on High Needs is the second main area of concern, which is a concern nationally. At the end of 2017/18 the cumulative deficit on High Needs was £13.8m. The forecast net overspend for the current year is £5.0m, which has increased from that reported at Month 7 by £1.5m, due in particular, to increased costs of High Needs provision in Colleges / FE settings and Independent Schools.

- The current projected overspend of £5.2m in the High Needs Service largely relates to £1.3m in special schools as a result of additional place changes to top-up funding and ESN payments to reflect increased complexity of need, £1.6m in post 16 placements and £1.4m in independent placement provision primarily due to savings not achievable, £0.9m in Resource Base provision and £0.7m in mainstream primary, secondary and early year settings. There are also £0.6m other minor overspend relating to £0.4m placements in other LAs due to growth and shortage of places and £0.2m in alternative provision. This has been partially offset by saving of £1.3m comprising £0.8m independent placements and £0.5m due to unrealised liabilities from 2017/18.

- Other minor underspends of £0.2m in this block have been identified.

- The Directorate is considering the utilisation of part of the under spend brought forward from 2017/18 on other DSG blocks prescribed activities to reduce the deficit. The directorate is also reviewing planned commitments and other funding sources.

- A report is going to the School Forum meeting on December 13th which will report back on the SEND High Needs Budget Demand and Supply Pressures.

- The DFE Consultation on the implementation of new arrangements for reporting deficits of the dedicated schools grant will require all local authorities with a cumulative overspend on DSG provision to produce recovery plans detailing the steps they plan to take to provide statutory services within the annual funding envelope. These recovery plans should be discussed with, and if possible, agreed with, the local schools forum and should look to bring the overall DSG account into balance within a maximum of three years. This will be set out in the Financial Plan 2019+.

8.11.5 **Other DSG variances**

- Within other DSG spend areas, there is a forecast net underspend of £0.2m. This comprises forecast underspends on Admissions (£0.2m) and Schools Centrally Managed Budget (£0.1m), offset by an over spend on Strategic Leadership (£0.1m). This has improved by £0.1m since Month 7.

- There was a cumulative underspend of £2.3m on the other DSG blocks (excluding High Needs Block) brought forward from 2017/18. The directorate is considering the utilisation of part of the under spend brought forward to mitigate the high needs block deficit brought forward as mentioned above.

9. Key Movements since Month 7 - £5.6m Net Improvement/Adverse Movement in 2018/19

9.1 In summary, the following areas are the main movements since Month 7:

9.2 Base Budget – Net Improvement £5.1m

9.2.1 Adults - £2.1m net improvement primarily relates to reduced costs on Packages of Care.

9.2.2 Place – £1.1m net improvement primarily relates to £1.5m extra funding from Policy Contingency to rebase the Waste Management budget, offset by worsening of forecasts on Housing Options (£0.2m), Markets (£0.1m), and Regulatory Services (£0.1m)

9.2.3 Economy - £0.5m net improvement from part funding the West Midlands Passenger Transport Levy relating to concessionary fares from in-year Bus Lane Enforcement surplus

9.2.4 Strategic Services - £1.3m net improvement primarily relates to £1.0m budget to repay Subsidy reserves not being required, £0.2m reduction in Advertising income shortfall, and £0.1m increase in Business Support underspend.

9.2.5 Corporate – Forecast pressures of £2.8m relating to Acivico.

9.2.6 Corporate- £0.5m Improvement in dividend income forecast

9.2.7 Corporate – reduction in contribution to the Business Rates Reserves by £2.3m

9.2.8 Other minor movements £0.1m net improvement

9.3 Savings Non-Delivery – Net Improvement £0.5m

9.3.1 Childrens - £0.3m improvement. The Directorate has now identified savings to fully achieve its workforce savings target.

9.3.2 Place - £0.2m improvement. The Directorate has now identified savings to achieve its £1.3m of workforce savings target, compared to £1.1m identified by Month 7.

Clive Heaphy, Corporate Director of Finance & Governance