

# **Business Plan 2015+** Budget Report and Resource Plan



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## **BUDGET SUMMARY**

### **Background**

The City Council's Financial Plan continues to be set in the context of reducing resources available to fund the provision of services and investment in its assets. This is largely a result of the continuing cutbacks in grant funding as a result of the Government's policy of reducing public expenditure in order to address the deficit in the public finances.

Birmingham is more dependent on Government grants than many local authorities, both because of the need to fund a higher level of expenditure on services (as assessed under the Government's previous Formula Grant regime) and also because the relatively low taxbase constrains the ability to raise funds locally through Council Tax. This means that the City Council is experiencing disproportionate cuts in its revenue resources.

### **Revenue**

Excluding those grants which are ringfenced to be spent on specific services and projects, the City Council will be subject to a cash reduction in corporate grant funding of £100.1m (18.6%) in 2015/16. This is the largest ever cut. After taking account of income from the local share of business rates and from Council Tax, total corporate funding will reduce by £84.9m (8.6%).

At the same time, there is the need to increase funding for some services, most notably child protection services (an extra £21.5m) and also to reflect the growth in the number of older people and younger adults needing social care services (an extra £6.5m).

Other pressures and adjustments offset one another and, therefore, in order to balance the revenue budget in 2015/16, it will be necessary for further savings of £112.9m to be made which, after not allocating resources to fund general inflationary pressures, means that specific savings initiatives of £105.4m will be needed. Following the publication of the budget consultation White Paper and in the light of the responses received, a number of the savings proposals have been amended.

Based on Government announcements, grants are expected to continue to decline in the medium-term. In addition to the savings of £112.9m in 2015/16, further savings of £253.3m will be required by 2017/18. Of these further required savings, the City Council has plans for saving £55.1m, leaving £198.2m still to be identified.

Even though the City Council has reduced the level of savings needed by rescheduling its provision for loan repayments (its MRP), it is still expected that total savings of £821m will be required over the 7 year period from 2010/11 – 2017/18. The position is also now expected to deteriorate still further until 2019/20.

## **Council Tax**

In order to maintain an appropriate level of income from Council Taxpayers, and to mitigate the need to make savings as much as possible, a Council Tax increase of 1.99% is again proposed for 2015/16. This would take the amount for a Band D property to £1,158.43 for City Council services, an increase of £22.61 per year, or 43p per week.

## **Housing Revenue Account (HRA)**

Proposals have been developed for a balanced budget in 2015/16, with a rent increase of 2.2% in line with the new national rent policy; this is linked to CPI +1% (as at September 2014).

In addition to revenue expenditure on day-to-day repairs and maintenance, the Council will be investing in a Council Housing capital programme of £309m over the three years 2015/16 – 2017/18, including £129m investment in new homes and regeneration.

## **Capital**

Capital investment is also constrained by reductions in Government grant funding. However, some grants continue to be made available, particularly those earmarked for specific projects/programmes. Taken together with a prudent level of new borrowing, a capital programme of £1,046m is proposed from 2015/16 onwards.

After taking account of the on-going annual provision for debt repayment, total outstanding debt is forecast to increase slightly over the next 3 year period. Of the projected gross loan debt (including PFI) of £4.03bn at the end of this period, £1.12bn will relate to the Housing Revenue Account and £2.91bn to the General Fund.

## **Other Resources**

This document also sets out further details of the council's approach to managing its other resources (employees; property; ICT) and its strategic approach to commissioning, procurement and contract management, and performance and risk management. The Pay Policy Statement for 2015/16 is also set out.

## PART 1 FINANCIAL PLAN

### Part 1 – Chapter 1 – Revenue Resources

#### 1. Financial Challenge

- 1.1 This chapter details the General Fund resources expected for 2015/16, and assesses and forecasts these for future years.
- 1.2 The City Council continues to face a significant challenge over the coming years. In the seven years, from 2010/11 to 2017/18, it is forecast that total corporate funding will have reduced by £461m per annum.
- 1.3 The City Council expects to receive total General Fund grant and external income resources of £2,787.6m in 2015/16. The resources can be analysed into the categories shown in Table 1.1.1.

<b>Table 1.1.1 General Fund Grant &amp; External Income Resources</b>				
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Core Grants (RSG and Top Up)	511.707	406.099	323.046	265.880
Corporate Grants	26.456	31.986	30.340	30.340
<b>Sub Total Corporate Grant Funding</b>	<b>538.163</b>	<b>438.085</b>	<b>353.386</b>	<b>296.220</b>
Business Rates	192.561	196.305	198.582	201.302
Council Tax	260.669	272.137	277.150	283.258
<b>Sub Total Corporate Funding</b>	<b>991.393</b>	<b>906.527</b>	<b>829.118</b>	<b>780.780</b>
Directorate Grants	263.163	258.081	266.128	266.128
Schools Funding	836.349	796.585	796.585	796.585
Grants to reimburse expenditure (esp.Benefits)	545.284	551.025	551.025	551.025
External Income from Fees and Charges	302.156	275.373	280.880	286.498
<b>Total General Fund Grant &amp; External Income</b>	<b>2,938.345</b>	<b>2,787.591</b>	<b>2,723.736</b>	<b>2,681.016</b>

Table excludes Use of Reserves which are discussed in Chapter 3.

#### 2. Core Government Grant Funding

- 2.1 Core Grants are made up of Top Up Grant and Revenue Support Grant.
- 2.2 The Government's Spending Review, announced on 20 October 2010, set the direction of how public sector spending generally, and local authority funding specifically, would change over the period 2010/11 to 2014/15. This trend continued following the announcement of the Government's Spending Round on 26 June 2013 with further cuts for Local Government in 2015/16. Local Government has been required to take a far larger share of the spending cuts than other Government Departments.

- 2.3 Future forecast income from 2016/17 onwards of Core Grant funding has deteriorated significantly since the LTFP was agreed in March 2014. Whilst the net impact of the changes on 2015/16 are slightly improved compared with the previous forecast, a series of Government announcements between March 2014 and January 2015 have worsened the resource forecast for 2016/17 onwards.
- 2.4 Due to announcements made in the Government's March Budget 2014, further reductions in the Government's spending control totals will have an estimated adverse impact on the Council resources of £11.2m in 16/17 and £6.3m in 2017/18.
- 2.5 In addition, the Autumn Statement 2014 (announced on 3 December 2014) made clear the Government's intention to ensure that the country is operating a "surplus" budget from 2018/19 and a significant "surplus" from 2019/20. In order for this to be achieved, the Autumn Statement specified that Government expenditure on services will need to continue to reduce significantly throughout this period. This has been reflected in the long-term financial forecasts contained within this document and will have a further major impact on the Council's resource forecast of an additional reduction of £18.6m in 2016/17 and £21.6m in 2017/18 since the Council published its White Paper. The Office for Budget Responsibility, via the Chancellor's Autumn Statement, has forecast that overall public sector funding for 2016/17 – 2019/20 will reduce by 5.1%, 3.5%, 1.6% and 1.0% respectively. There may well be significant changes to the economy, public finances and hence resources available to the City Council over the next ten years, and there will be a General Election by May 2015, which may have an impact on Government policy. The revisions based on current Government announcements have been summarised in Table 1.1.2.

<b>Table 1.1.2 Core Government Grant Funding Forecast Changes</b>					
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Core Grant Business Plan 2014+ (Mar14) (includes RSG and Top Up Grant)	402.8	352.8	293.8	255.9	260.0
Government Updates:					
March Budget	0.0	(11.2)	(6.3)	3.9	4.0
Autumn Statement/Settlement	3.3	(18.6)	(21.6)	(28.9)	(61.5)
<b>Core Grants 2015+</b>	<b>406.1</b>	<b>323.0</b>	<b>265.9</b>	<b>230.9</b>	<b>202.5</b>
Cumulative change from 2014/15 (£m)	(105.6)	(188.7)	(245.8)	(280.8)	(309.2)
Cumulative % Change from 2014/15	-20.6%	-36.9%	-48.0%	-54.9%	-60.4%
Annual % Change	-20.6%	-20.5%	-17.7%	-13.2%	-12.3%

NB: Forecast table within this report show 5 years as this is the period over which we expect resource reductions to continue.

### **Revenue Support Grant - £280.1m**

- 2.6 The Government has calculated that the City Council will receive £280.1m Revenue Support Grant (RSG) in 2015/16. This compares with £388.1m received in 2014/15 (see Appendix 3A).
- 2.7 The City Council has based its forecast resource levels for future years on the Government announcement for 2015/16 and local estimates thereafter, based on Government announcements regarding deficit reduction. The City Council has assumed that, once again, local government will receive larger cuts than the average reduction for the public sector as a whole. Therefore, Revenue Support Grant is forecast to reduce significantly between 2016/17 and 2019/20.
- 2.8 From 2020/21 onwards, the resource forecast then assumes that RSG will continue to reduce by around 1% annually, although this is offset by business rates increases to result in a net increase of around 2%. Hence there will be a “steady state” financial position from 2020/21. The forecast change in levels of RSG for 2016/17 to 2024/25 can be seen in the Long-term Financial Plan (Appendix 3B).

### **Top Up Grant - £126.0m**

- 2.9 As part of the Business Rates Retention Scheme (BRRS) the Government pays the City Council a Top Up Grant. This is to compensate for the fact that the 49% of business rates that the Government estimates the City Council will retain is less than the baseline level of funding that Government has estimated the City Council requires from the Business Rates Retention Scheme.
- 2.10 The City Council will receive £126.0m Top Up Grant in 2015/16. This is an increase of 1.9% on the 2014/15 allocation. The Top Up Grant increases annually in line with the business rates multiplier. An increase in line with RPI would have been 2.3%. However, the Chancellor announced in the Autumn Statement 2014 that the business rates multiplier increase would be capped at 1.9% in 2015/16. The Government will therefore provide a compensating grant for the lost income (see paragraphs 3.6 – 3.11).
- 2.11 In future years, the City Council assumes that the annual RPI increase in future years will be 1.6% in 2016/17 and 2.5% annually thereafter. The forecast change in levels of Top Up Grant for 2016/17 to 2024/25 can be seen in Appendix 3B.

### **3. Corporate Grants**

3.1 In addition to core funding, the City Council also receives a number of unringfenced grants that are not allocated for specific purposes and are used to support the overall budget. These grants are:

- New Homes Bonus
- Small Business Rates Relief grant
- Other Business Rates related grants

#### **New Homes Bonus (General) - £17.9m**

3.2 New Homes Bonus (NHB) is a general grant awarded by the Government for new houses built in Birmingham or empty properties brought back into use. The grant is provided to help fund the additional services required for the new properties and families living within them. The grant is provided in two parts:

- General
- Affordable Homes Element

3.3 The City Council chooses to apply this grant in two ways. The general grant is used to support the overall budget, whilst the affordable homes element is treated as a Directorate grant, mainly used to reinvest in building additional affordable housing in Birmingham.

3.4 In 2015/16 the City Council will receive £16.8m of general NHB. This is an increase of £2.5m over 2014/15. The City Council anticipates that general NHB will increase by a further £3.2m in 2016/17. The City Council's forecast of general NHB can be seen in Appendix 3A.

3.5 In order to fund NHB the Government topslices funding from the national allocation of RSG. If this topslice exceeds the national amount of NHB distributed, the Government reallocates the remaining funding. In 2015/16 the City Council will receive a further £1.1m of returned NHB funding. This has been treated as a one-off resource as it is assumed that the Government topslice will be accurate in future years.

#### **Small Business Rates Relief Grant - £5.6m**

3.6 The impact of Small Business Rates Relief on the Council's resources has doubled since the Chancellor made an announcement in the Autumn Statement 2012. The Autumn Statement 2014 has again extended this relief for a further year. This



reduces the level of business rates retained by the City Council and the Government provides funding to compensate for this.

- 3.7 The City Council will use this grant of £5.6m as a corporate resource in the same way that it would have, had the income continued to be received via business rates. As the relief has now been granted for three consecutive years, the City Council is now assuming that this will be a permanent reduction in business rates and hence a permanent grant stream. However, should this not be the case then the loss of SBRR grant would be offset by an increase in business rates income of an equal amount, leaving the overall resource position unaltered. The City Council's forecast of SBRR grant can be seen in Appendix 3A.
- 3.8 These numbers exclude small business rates relief grant received in relation to the Enterprise Zone as this funding is passed directly to the Enterprise Zone.

#### **Other Business Rates Related Grants - £8.5m**

- 3.9 In the Autumn Statement 2014 the Chancellor made a number of announcements that would reduce the amount of business rates income that the City Council will receive. These have been introduced to support businesses and have both temporary and permanent implications that will require funding. The new measures announced are:
- Cap of 1.9% on the increase in the small business rates multiplier (instead of the expected RPI increase of 2.3%).
  - £1,500 relief on retail properties with a rateable value of less than £50,000 (allowable for 12 months).
- 3.10 As grants will be paid to compensate the City Council for the loss of business rates income, they are used to support core activities. The City Council's estimate of other business rates related grants can be seen in Appendix 3A.
- 3.11 These numbers exclude other business rates related grant received in relation to the Enterprise Zone as this funding is passed directly to the Enterprise Zone.

#### **4. Business Rates Income**

- 4.1 Following a Government review of local government finance, the new Business Rates Retention Scheme was introduced from 1 April 2013, which allows local authorities to benefit from growth in business rates income.
- 4.2 Business rates income within the city can be separated into two areas:
- above the Enterprise Zone baseline; and
  - all other Business Rates

- 4.3 Business rates income above the previously determined baseline within the Enterprise Zone is 100% retained by the City Council to pass to the Greater Birmingham and Solihull Local Enterprise Partnership. These business rates are not available to support the City Council's budget.
- 4.4 The City Council is able to retain 49% of all business rates generated locally excluding growth within the Enterprise Zone. A further 50% is paid directly to the Government and the final 1% is paid to the West Midlands Fire and Rescue Authority.
- 4.5 However, the City Council does not have any control over the business rates multiplier that will be used to calculate individual business rates bills. The Government continues to be responsible for setting the rate and national policies on discounts. Government announcements regarding business rates that will impact on the level of resources received by the City Council are compensated for through additional Government grants allocated to the authority (see paragraphs 3.6 – 3.11).
- 4.6 The estimated business rates income for 2015/16 was agreed by Cabinet on 19 January 2015.
- 4.7 The City Council estimates that total income received from business rates excluding growth within the Enterprise Zone will be £404.4m in 2015/16 (see Table 1.1.3). This is an increase of 1.3% over 2014/15. This income is now fixed for the purposes of 2015/16 budget setting.
- 4.8 In future years, the City Council has assumed that business rates income will have an underlying increase of:
- 2.1% in 2016/17 and
  - 3.0% annually thereafter
- reflecting an assumed increase of 0.5% real terms growth and an increase in the business rates multiplier. Given the recent reductions in the level of inflation, a lower rate of inflation is assumed for 2016/17. After this RPI is assumed to be constant at 2.5% annually. It should be noted that the Government has taken into account an anticipated level of growth in Business Rates when determining RSG allocations. The Long-Term Financial Plan (Appendix 3B) shows the future change in assumptions of the City Council's share of the business rates income within the city.
- 4.9 Growth in business rates income within the Enterprise Zone will be fully retained for the period of 25 years starting from 2013/14. The intention is to provide a higher degree of certainty around future levels of income available towards investment and regeneration in this zone.

- 4.10 In 2015/16 it is anticipated that the Enterprise Zone will retain £5.0m of business rates income and £0.5m for reliefs awarded. The overall deficit carried forward from 2014/15 is £1.2m. In addition the Enterprise Zone will receive £0.3m of Section 31 grants. This overall resource of £4.6m will be used in accordance with the Enterprise Zone Investment Plan.

### Business Rates Collection Fund

- 4.11 It is estimated that the Business Rates Collection Fund will have a surplus of £5.1m in 2014/15 excluding the impact of spreading backdated appeals; this will be wholly taken into account in setting 2015/16 budgets.
- 4.12 In 2013/14 the City Council spread the cost of its backdated appeals over five years. The impact of making provision for backdated appeals settlements will charge £9.7m to the collection fund in 2015/16.

### Business Rates Summary

- 4.13 The overall resources available from business rates income is summarised in Table 1.1.3, with the City Council's net resources being £196.3m.

	<b>Business Rates £m</b>	<b>Backdated Appeals £m</b>	<b>14/15 (Surplus)/Deficit £m</b>	<b>Net Resources £m</b>
BCC	(198.389)	4.752	(2.668)	(196.305)
Government*	(201.912)	4.849	(2.361)	(199.424)
WM Fire Authority	(4.049)	0.097	(0.051)	(4.003)
<b>Sub Total</b>	<b>(404.350)</b>	<b>9.698</b>	<b>(5.080)</b>	<b>(399.732)</b>
Enterprise Zone*	(5.501)	0.061	1.131	(4.309)
<b>Gross Business Rates</b>	<b>(409.851)</b>	<b>9.759</b>	<b>(3.949)</b>	<b>(404.041)</b>

\* Government and Enterprise Zone figures are shown net of compensation in relation to Enterprise Zone reliefs.

## 5. Council Tax

- 5.1 It is proposed that there is a 1.99% increase in the City Council's element of the Council Tax for 2015/16 and the budget has been prepared on this basis.
- 5.2 The Localism Act 2011 removed the Government's ability to cap Council Tax increases and instead requires local authorities to consult local residents via a referendum if an "excessive" level of Council Tax is proposed. The Government has announced that for local authorities like the City Council an "excessive" Council Tax would be one where the increase is 2.0% or more. The proposed increase of 1.99% will not, therefore, require a referendum.

- 5.3 The taxbase to be used for setting the 2015/16 Council Tax was agreed by the Cabinet at its meeting on 19 January 2015. The taxbase consists of 234,089 “Band D equivalent” properties, after allowing for a collection rate of 97.1% (including the impact on collection of the Council Tax Support Scheme). This taxbase is now fixed for the purpose of setting the 2015/16 Council Tax.
- 5.4 The taxbase has increased by 3,657 Band D equivalent properties compared with 2014/15. The taxbase was calculated after taking account of the Council Tax Support Scheme.
- 5.5 The proposed City Council’s element of Band D Council Tax will be £1,158.43 for 2015/16.
- 5.6 This would mean that the Council Tax requirement for City Council services will be £271.2m.

### **Council Tax Support**

- 5.7 At its meeting on 6 January 2015 the City Council confirmed its Council Tax Support Scheme for 2015/16. A discount of up to 80%, dependent on the income and circumstances of the claimant, will continue to be applied in general to those of working age with a low income. However, a discount of up to 100%, again dependent on income and circumstances, will continue to be applied to the following categories of people with low incomes:
- Pensioners (as prescribed by legislation)
  - Parents of dependent children aged 6 or under
  - Those who qualify for a carer’s premium
  - Disabled people in receipt of a disability premium or a disabled child premium
  - War pensioners
  - Claimant or partner in receipt of Employment and Support Allowance with a qualifying disability benefit

There will be a facility to backdate claims for up to a maximum of one month, and a hardship fund has been set aside for those experiencing financial difficulties.

- 5.8 Had the City Council allowed a greater level of discounts within the Council Tax Support Scheme then it would have received less Council Tax income. This would have resulted in the City Council needing to make greater service expenditure reductions in 2015/16. Alternatively the City Council could have implemented a Council Tax Support Scheme that awarded a lower level of discounts. This would have resulted in the City Council needing to make fewer service expenditure reductions in 2015/16. The City Council determined that, on balance, the approved Council Tax Support Scheme represented the most appropriate way forward.

### **Council Tax Collection Fund**

- 5.9 It is estimated that the Council Tax Collection Fund will have a surplus at the end of 2014/15 of £1.1m. The City Council's share of this is £0.9m, which has been taken into account in setting the 2015/16 budget.

### **Parish Precept**

- 5.10 The New Frankley in Birmingham Parish Council agreed its precept on 16 February 2015. The precept for the parish in 2015/16 is £43,287 (2014/15: £52,868). The tax base for the New Frankley in Birmingham Parish is 1,300. The effect of the parish precept on the level of Council Tax for a Band D property is £33.30. This represents a decrease of 20.26% in the Band D parish precept compared with 2014/15.
- 5.11 Following the introduction of the localisation of council tax support and the associated discounts, New Frankley in Birmingham's taxbase reduced significantly. The City Council is continuing to pay New Frankley in Birmingham a grant of £40,899 to compensate for the reduction.

### **Formal Determination of Council Tax**

- 5.12 Legislation specifies the way in which the Council Tax figures must be calculated. To the extent that other sources of income are insufficient, expenditure has to be funded through the Council Tax Requirement. The consequence of this calculation is that the City Council must set a "balanced budget". Table 1.1.4 shows how the City Council gross expenditure translates into its Band D Council Tax and, as required by law, also shows this calculation when including Parish precept and Enterprise Zone growth.

<b>Table 1.1.4 - Council Tax Requirement</b>	<b>City Council Services</b>	<b>Incl. Parish Precept and Enterprise Zone Growth</b>
	<b>£</b>	<b>£</b>
Gross City Council Expenditure	3,169,718,000	3,174,320,000
Parish Precept		43,287
Less: Estimates City Council Income (excluding business rates, core Government grants and Council Tax)	(2,295,177,000)	(2,295,470,000)
<b>City Council Net Budget</b>	<b>874,541,000</b>	<b>878,893,287</b>
Less:		
Business Rates	(198,389,000)	(203,890,000)
Business Rates (surplus)/deficit	2,084,000	3,276,000
Revenue Support Grant	(280,082,749)	(280,082,749)
Top Up Grant	(126,016,606)	(126,016,606)
Council Tax Collection Fund (Surplus)/Deficit*	(962,000)	(962,000)
<b>City Council Council Tax Requirement*</b>	<b>271,174,645</b>	<b>271,217,932</b>
<b>Divided by taxbase</b>	<b>234,089</b>	<b>234,089</b>
<b>Band D Council Tax</b>	<b>£1,158.43</b>	<b>£1,158.61</b>

\* The total Council Tax resources available to General Fund in 2015/16 are £272.137m.

- 5.13 The City Council's Band D Council Tax for City Council services will be £1,158.43. This figure is an increase of 1.99% over 2014/15. The notional Band D Council Tax across the City, after including the New Frankley in Birmingham Parish precept is £1,158.61. This is an increase of 1.99% over 2014/15.

#### **Fire and Rescue Authority and Police and Crime Commissioner Precepts**

- 5.14 The Police and Crime Commissioner approved his budget and precept amounts on 12 February 2015, and the Fire and Rescue Authority met on 16 February 2015, to agree the precept on the City Council.
- 5.15 The information received in respect of these major precepts is as follows:

#### **Table 1.1.5 – Major Precepts**

	<b>£m</b>
Police and Crime Commissioner	24.942
Fire and Rescue Authority	12.860
<b>Total</b>	<b>37.802</b>

- 5.16 For the Police and Crime Commissioner, the Band D precept will be £106.55 in 2015/16.
- 5.17 For the Fire and Rescue Authority, the Band D precept will be £54.94 in 2015/16.
- 5.18 The charges for each Council Tax Band can be seen in Appendix 3C.

### Financial Impact of Alternate Council tax Assumptions

- 5.19 Council Tax levels are currently assumed for planning purposes to increase by 2.0% annually from 2016/17. However, Table 1.1.6 shows the effect on available resources if an annual council tax increase of other than 2.0% is applied. This disregards any funding to compensate local authorities for freezing council tax in future years and of course any increases would be applicable to thresholds applicable at the time.

<b>Table 1.1.6 Impact of alternative annual Council Tax increases on current resource forecasts</b>				
<b>Band D</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
0%	(10.736)	(16.312)	(22.021)	(27.866)
1%	(5.381)	(8.223)	(11.160)	(14.195)
2%	0.000	0.000	0.000	0.000
3%	5.489	8.442	11.551	14.822
4%	11.003	17.021	23.413	30.200
5%	16.572	25.766	35.623	46.182

## 6. Corporate Funding and Spending Power

- 6.1 The Government introduced the notion of “Spending Power” in 2011/12 when austerity first began. The Government’s current definition of Spending Power includes its own estimate of:

- Core Grants
- Corporate Grants
- Business Rates
- Council Tax
- Some Directorate Grants most notably:
  - Public Health Grant
  - Better Care Fund

- 6.2 The Government has continued to calculate Spending Power, its preferred calculation of reductions in local government funding. This includes the Corporate Funding and a number of other grants received by the City Council.

- 6.3 The definition has changed over time which has led to some confusion in providing comparative statistics and the Government has not taken account of explicit spending commitments associated with some grants, or the fact that some resources will be directed to partners and will not, therefore, be received by the City Council. Therefore, the change in the Government's definition of Spending Power does not reflect an accurate assessment of the reduction in resources to fund general expenditure over which the City Council has control.
- 6.4 The Government estimates that the City Council's Spending Power will reduce by 5.8% in 2015/16. This compares with average national reductions of 2.0%. The City Council has adopted its own approach to calculating Corporate Funding which uses its own more accurate estimates which is made up of Core Government Grant Funding, Corporate Grants, Business Rates and Council Tax. However, the main reasons for the difference is that the City Council's calculation excludes Public Health Grant, Better Care Fund and other Directorate grants that come with their own expenditure commitments. The City Council estimates that its Corporate Funding will reduce by 8.6% in 2015/16. The overall reduction in the City Council's Corporate Funding and Spending Power can be seen in Table 1.1.7.

<b>Table 1.1.7 Corporate Funding and Spending Power</b>					
<b>Funding Stream</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Reduction</b>		
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	
Core Government Grants	511.707	406.099	(105.608)	-20.6%	
Corporate Grants	26.456	31.986	5.530	20.9%	
Business Rates <sup>1</sup>	192.561	196.305	3.744	1.9%	
Council Tax <sup>1</sup>	260.669	272.137	11.468	4.4%	
<b>Corporate Funding</b>	<b>991.393</b>	<b>906.527</b>	<b>(84.866)</b>	<b>-8.6%</b>	
<b>Government Spending Power</b>	<b>1,129.801</b>	<b>1,064.807</b>	<b>(64.994)</b>	<b>-5.8%</b>	

<sup>1</sup> Figures shown net of any surplus or deficit

## 7. Birmingham City Council Proposed Alternative Approach to Grant Reductions

- 7.1 Under the present system, core government grant cuts are being applied to councils in proportion to their total of core government grant received and business rates generated (councils' Settlement Funding Assessment). This takes no account of the level of funding that is generated locally by councils through Council Tax. This leads to those areas of greatest need (who currently receive the highest level of grant) experiencing the greatest resource reductions. Those that receive a larger proportion of funding through Council Tax (generally those authorities with lower levels of need) are insulated.
- 7.2 The reductions in Spending Power currently anticipated in 2015/16 compared to levels of deprivation can be seen in Appendix 3D. It is clear that on Government figures, the reductions will impact most significantly on those areas with the highest levels of deprivation. This has been the case since 2011/12.



- 7.3 The City Council has argued that the needs of an authority and the ability to raise resources locally through council tax should be considered when making grant cuts. The National Audit Office has also identified that the methodology applied by the Government has the greatest impact on spending power for those authorities with the largest dependence on Government grant.
- 7.4 A simple solution has been proposed by the City Council which is that Core Grant reduction should be made in proportion to each council's total Corporate Funding, which also takes into account their total Council Tax income raised. This would result in each council being subject to an equal percentage reduction in Corporate Funding and therefore an equal financial challenge. Adopting this approach would be implementable within current Government spending forecasts for local government whilst retaining the incentive effects the Government has created for grant funding regimes. As outlined in the budget consultation White Paper, we previously estimated that this would have meant £38m less cuts in 2015/16, rising to £69m by 2017/18.
- 7.5 The City Council, through a cross-Party delegation, has met with the Local Government Minister to discuss this proposal. This was followed up by officer/civil servant meetings and correspondence. Whilst it was initially hoped that the methodology for allocating funding reductions could be revised in a fairer way for 2015/16, this has not materialised.
- 7.6 The City Council continues to make the offer to the Government to work with them to help devise a fairer approach to grant reductions in the future.

## **8. Directorate Grants**

- 8.1 In addition to corporate grants, the City Council also receives a number of grants that are used for specific purposes by Directorates. These are grants where the Government has placed additional responsibilities on local authorities, and has provided increased funding accordingly, or where the grant is ringfenced in some other way. Details of all Directorate grants expected to be received in 2015/16 and 2016/17 can be seen in Appendix 3A along with further detail of the largest Directorate Grants over £5m.

## **9. Other Income - £275.4m**

- 9.1 The City Council aims to maximise the income that it can generate in order to minimise both levels of Council Tax and the impact of the cuts required on services. The 2015/16 budget has been based upon the generation of £275.4m of income. A reduction from the level of 2014/15 mainly reflects the City Council entering into a binding agreement for the sale of the NEC group.
- 9.2 The Corporate Charging Policy adopted by the City Council details why, what, how and when the City Council should charge for its services and also when these should be reviewed. In summary:

- WHY - Services should raise income wherever there is a power or duty to do so. Net income maximisation to the City Council should be the ultimate aim of any charging policy, subject to any legal constraints, policy priorities and market considerations.
- WHAT – A number of the City Council’s charges are set by statute. Where they are not, charges should cover the full cost of providing the service (including overheads, returns on capital investment and the cost of administering the charges), taking account of competitors’ charges for like for like services both in the public and private sector. Charges may be set below this level if policy objectives suggest that charges should be subsidised (the budget for any subsidy must be identified).
- HOW - Methods of payment should be flexible and convenient, including taking into account the needs of those on low incomes.
- WHEN – Charges are updated at least annually.

## **Part 1 – Chapter 2 – Major Revenue Budget Considerations**

### **1. Service Priorities**

- 1.1 In order to operate within the constraints of Government cuts the City Council will have no alternative but to continue to implement significant reductions in expenditure on services.
- 1.2 The way the City Council will do this will be based on our vision of an inclusive City, seeking at all times to work for a better future for Birmingham and its citizens despite these difficult financial circumstances. The Policy Framework being adopted is set out in the Business Plan and Summary Budget document, and based on the following approach:
- A Fair City
  - A Prosperous City
  - A Democratic City
- 1.3 Further the Council has an overarching focus on protecting vulnerable children.

### **2. Financial Challenge**

- 2.1 The City Council will also need to address cost increases, due to:
- Funding to meet budget pressures as set out in Chapter 3.
  - Changing needs in the City's population
  - Inflation
  - Provision for increased employer's pension costs following the last actuarial revaluation – please see paragraphs 4.1 – 4.4.
  - Equal pay
  - Extra capital financing costs based on the capital budget.
- 2.2 The cumulative increase in these costs from 2010/11 is expected to be around £360m per annum by the end of 2017/18.

### **3. Inflation**

- 3.1 There is no general corporate provision for inflationary increases in either expenditure or income budgets in 2015/16, or for the impact of the 2.2% pay award from January 2015. Services will therefore have to address any inflationary costs not directly recognised as a pressure from within their existing budgets. Growth in income will be available to services to assist in addressing any budget issues. An inflation contingency of £4.8m in 2015/16 is being held in order to fund increases in specific long-term contracts.
- 3.2 From 2016/17 inflationary pressures for non-employee expenditure of 2.0% per annum, pay awards of 2.5% per annum, and an expectation that income will be increased by 2.0% per annum have been built into the financial modelling assumptions at this stage.

### **4. Corporately Managed Budgets**

#### **Pension Contributions**

- 4.1 In common with other employers and pension funds, there is a deficit in the City Council's share of the West Midlands Pension Fund in respect of benefits already accrued and expected to be accrued relating to employees' service up to 31 March 2014. This has arisen due to a number of factors, with lower investment returns in the current economic climate being the major one. This deficit needs to be addressed through long-term additional lump sum contributions. The contribution rate for current service is also increasing over a three year period.
- 4.2 Last year the Council agreed a payment profile with the West Midlands Pension Fund (WMPF) for the three years 2014 - 2017 based on progressive City Council contribution increases, the continuation of which was forecast to lead to full deficit recovery over a 22 year period. The next valuation at 31 March 2016 will entail a major reassessment by the WMPF and its actuary to determine and agree the required level of contributions commencing in 2017/18. In the event of lower than anticipated investment returns, it would be anticipated that there would be a further increase in contributions from 2017/18 onwards.
- 4.3 The City Council will be working with consultants in conjunction with the other West Midlands local authorities, and in liaison with the WMPF, in order to identify future options to be appraised in conjunction with WMPF to respond to the implications of the next valuation.
- 4.4 The City Council has been able to take advantage of a discount in the level of the deficit recovery payment as a result of agreeing to pay contributions up-front, at the start of the financial year.

## Equal Pay

- 4.5 The City Council has received claims under the Equal Pay Act 1970 and has therefore made provision within its accounts. The 2013/14 Statement of Accounts recognised total estimated equal pay liabilities of £1.2bn for claims received as at 31 August 2014. Of the estimated total liability, £596.3m had been settled by August 2014, comprising £38.7m for the HRA and £557.6m for the General Fund.
- 4.6 The revenue implications of Equal Pay settlements have been reflected in both the budget for 2015/16 (as part of Corporately Managed Budgets) and in the Long-Term Financial Plan in relation to later years. This includes capital financing costs arising from capital expenditure in previous financial years, loss of income or other costs arising from any asset sales, together with the repayment of funds borrowed from earmarked reserves on a temporary basis. There will also be contributions from the Housing Revenue Account and schools. Net General Fund revenue costs are expected to be around £84m in 2015/16, an increase of £25.7m on 2014/15. This is expected to rise to around £110m by 2017/18.

## Financing Costs

- 4.7 The revenue effects of capital expenditure have been reviewed in the context of the Capital Programme set out in Chapter 7 of this report, and expectations of movements in interest rates. Further detail on this and Minimum Revenue Provision (MRP) can be seen in Chapter 8.

## Summary of Corporately Managed Budgets

- 4.8 The combined budgets for corporately managed costs decrease by £28.0m in total compared with 2014/15. This is predominantly due to the Council rescheduling its debt repayments, spreading them more evenly over a fixed future period generating a saving that is partially offset by equal pay costs. This is shown in Table 1.2.1.

Table 1.2.1 Corporately Managed Budgets	Variation from 2014/15 £m
Equal Pay Costs	25.7
Revision of MRP Policy	(58.3)
Other including Financing Costs	4.6
<b>Total</b>	<b>(28.0)</b>

## 5. Districts

- 5.1 The role of District Committees in the delivery and management of direct services was considered as part of the Kerslake Governance Review of Birmingham City Council and this concluded “the management and delivery of services by District Committees is neither efficient nor effective.” It has recommended that the District Committees “should not be responsible for delivering services or managing them through Service Level Agreements” (SLAs). Instead, the Kerslake Governance Review recommended that, if they are to be retained, the role of Districts should be refocused on:
- shaping and leading their local areas through influence, representation and independent challenge of all public services located in the District including those of the Council
  - regular and direct engagement with the people and organisations within their Wards and Districts
  - the establishment of a modest commissioning budget to purchase additional services that help meet local priorities
- 5.2 The Council has considered these recommendations relating to the Districts and it will be proposed to the City Council Annual General Meeting in May 2015 that all the current delegations held by District Committees for both Directly Managed and SLA Services be discontinued. The relevant specific Cabinet Members would then have the governance accountability for the service, with the engagement of Executive Members for Local Services. District Committees would then not have any direct service delivery and financial management responsibilities from 2015/16 onwards, with the exception of the Community Initiative Fund (see below). The Council’s detailed budget and local savings consultation arrangements are being configured for 2015/16 onwards on this basis, in anticipation of this approval being approved by the City Council’s AGM.
- 5.3 A Local Community Initiative Fund (CIF), to be directly managed by Districts, is being evaluated in line with the recommendations from the Kerslake Review. This fund will not be utilised to enhance existing services and service standards but rather to commission external services to meet local priorities and outcomes of the City Council. A provision for the CIF of £2.0m per annum has been made in plans from 2016/17 onwards. A governance/financial framework will be established during the financial year for 2015/16. Dependent on progress made, it may be appropriate to establish a part-year CIF allocation in that year, the funding of which to be determined by the Council’s internal financial management processes.

## Part 1 – Chapter 3 – General Fund Revenue Spending Plans and Budget 2015/16

### 1. Investing In Priorities and Addressing Pressures

- 1.1 The budget for 2015/16 includes increased budget allocations of £44.8m, both to fund investment in priority services and addressing budget pressures.
- 1.2 Despite the challenging financial position, the Council is intending to provide further resources each year for child protection services of £21.5m (£19.9m in the White Paper consultation) in 2015/16 growing to £28.5m in 2017/18, in addition to the extra £9m per year already put in place in 2014/15. These resources will meet the expected increase in needs and allow for the recruitment of more social workers. A recent funding announcement by the Government has made available additional funding of £2.7m. The Council has decided to allocate £1.6m to provide focussed and relevant support to children and families on the “edge of care” that keeps them from actually coming into the system. However, it is clear from the review undertaken by Lord Warner, the appointed Commissioner for Children’s Safeguarding, that this will not be enough to meet the full cost of the children’s services improvement programme over its lifetime to 2017–18. We will continue to discuss with central government the funding of the three-year children’s improvement plan.
- 1.3 The City Council has also made policy decisions to fund other priorities from the General Fund. The largest of which are:
- £6.5m investment to reflect the growth in the number of younger people and older adults needing social care services.
  - £3.3m additional funding for the Library of Birmingham to make good shortcomings in the budgets, derived from the original business case, e.g. for business rates and energy costs.
  - £1.7m for the Business Charter for Social Responsibility relating to the City Council’s contractors as a first step towards paying the living wage to all of their workforce. The City Council has already adopted the Living Wage for its own employees.
  - £1.5m to restore the budget for street cleaning (as well as not going ahead with a previously planned £0.5m step up in saving for 2015/16) to ensure that the service is able to respond to the concerns of the public and maintain good levels of cleanliness.
  - a £2.4m investment to mitigate the Government’s reduction in Education Services Grant and schools transferring to academies.
  - A £2.1m investment to address the issues of safeguarding and governance which have left some of our schools vulnerable. This will enable us to strengthen the links with and between all our schools to ensure that pupils are safe, standards are high and statutory requirements are met with confidence.

1.4 Further details of the additional budget allocations are set out in Appendix 3E.

## **2. Approach to Savings and Service Cuts**

2.1 We have responded to the challenge in the following ways:

- Making best use of Government Grants to safeguard core services, whilst ensuring compliance with all grant conditions.
- During 2014, the City Council undertook a widespread review of its services. Elected members and officers, working where appropriate with partners and independent experts, developed a series of proposals for radical changes in how services are delivered in the light of the financial challenge and after taking account of:
  - the contribution of each service towards the corporate priorities;
  - the statutory duties that must be carried out; and
  - the level of value for money provided by each service
- Ideas were discussed with partners and Birmingham people through a "Green Paper". The resulting savings proposals, and feedback, were presented in the White Paper, "Responding to the challenge, looking to the future" published in December 2014. The specific budget proposals were then subject to formal consultation.
- We have reviewed the savings plans that were assumed in the LTFP 2014+. In some cases they cannot be implemented in the way that was originally proposed.
- Through our Service Review process we have developed and consulted on a range of specific new proposals for 2015/16 – 2017/18 (as detailed in Appendix 3F). These include a combination of both increasing income levels and reducing service expenditure.

### **Savings in 2015/16**

2.2 Initially, the savings forecast set out in the December consultation White Paper was £116.7m, which required new savings of £72.4m in addition to initiatives already underway, as well as a policy decision relating to a reduction in the inflation provision of £7.5m. These resource proposals were subject to public consultation between December 2014 and January 2015. The City Council's response to the comments made in consultation is set out in Appendix 1. In addition specific directorate consultation will be undertaken on each of the proposals.

2.3 The council recognises it is essential that it undertakes an appropriate, comprehensive approach to the equality analysis and assessment of its proposed future developments to its policy and related spending plans. The Council's approach to its Public Sector Equality Duty is set out in Appendix 2 with an assessment of new savings risks and mitigations.



- 2.4 Since the corporate budget consultation commenced, the City Council has received final notification of Government grant resources. There has also been revision to corporate budgets and forecasts of income from council tax and business rates. The overall corporate position has improved and Appendix 3G explains how the overall challenge for the City Council has changed.
- 2.5 After consideration of the extensive responses received to the City Council's budget consultation process (see Appendix 1) and technical and other amendments the revised proposals are summarised in Table 1.3.1 with further details set out at the end of Appendix 1. The net effect of changes to savings proposals in 2015/16 is a reduction of £3.8m.
- 2.6 Therefore, following the finalisation of spending plans and the announcement of Government grants, the City Council now needs to make savings of £112.9m in 2015/16.

<b>Table 1.3.1 Movement in Savings</b>	<b>December Figures £m</b>	<b>Final Figures £m</b>	<b>Change £m</b>
Total Savings Requirement	(116.7)	(112.9)	3.8
Reduction in Inflation Provision	(7.5)	(7.5)	0.0
Specific Directorate Savings Requirement	(109.2)	(105.4)	3.8
of which:			
Existing Plans	(36.8)	(35.9)	0.9
Service Reviews	(72.4)	(69.5)	2.9

- 2.7 Details of the £105.4m specific directorate savings in 2015/16 and future plans are set out in Appendix 3F.
- 2.8 The implementation of the organisational change necessary to secure delivery of this significant level of savings will require effective management. Progress will be closely monitored, with particular attention being given to areas that have been assessed as representing the highest risks. In order to mitigate the risk associated with this savings delivery programme, a central contingency of £10.0m will continue to be held.

### **3. Revenue Reserves and Balances**

- 3.1 The City Council has limited reserves, many of which are earmarked for specific purposes. The City Council's external auditor has consistently expressed concern at the low level of reserves.

- 3.2 After taking account of planned contributions to and from reserves and balances, including those within the budgets for specific service areas, the position is expected to be as follows:

**Table 1.3.2 Revenue Reserves and Balances**

Directorate / Corporate	Description	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Corporate	Corporate General Fund Balance	26.0	27.5	29.0	30.5	32.0
Directorate	Directorate Carry Forward Balances	9.4	9.4	9.4	9.4	9.4
Corporate	Organisational Transition Reserve	101.3	72.8	72.8	72.8	72.8
<b>Total Un-earmarked Reserves</b>		<b>136.7</b>	<b>109.7</b>	<b>111.2</b>	<b>112.7</b>	<b>114.2</b>
Directorate	Highways PFI Grant gross	98.3	97.7	98.3	98.6	98.5
Direct / Corp	Less Temporary borrowing	(28.6)	(20.8)	(22.8)	(23.4)	(17.0)
Direct / Corp	Highways PFI Grant net	69.7	76.9	75.5	75.2	81.5
Direct / Corp	Reserves for budgets delegated to schools	73.7	75.2	75.7	76.2	76.7
Corporate	Treasury Management	6.9	5.4	5.1	4.8	4.6
Directorate	Insurance Fund	21.0	21.0	21.0	21.0	21.0
Corporate	Capital Fund	51.1	59.5	67.3	50.2	51.8
Corporate	One off Resources from 2014/15	12.2	0.0	0.0	0.0	0.0
Corporate	Other Corporate Reserves	3.1	2.8	2.7	2.6	2.6
Directorate	Directorate Reserves	81.3	35.1	17.8	16.9	13.2
<b>Total Earmarked Reserves</b>		<b>319.0</b>	<b>275.9</b>	<b>265.1</b>	<b>246.9</b>	<b>251.4</b>
<b>Overall Total</b>		<b>455.7</b>	<b>385.6</b>	<b>376.3</b>	<b>359.6</b>	<b>365.6</b>

- 3.3 The Council needs to do what it can in the context of reducing resources to help to ensure a stable and deliverable financial transition over this period. The immediate impact of grant reductions and budgetary pressures has, therefore, been mitigated by the Council rescheduling the provision for debt repayments (MRP), spreading them more evenly over a fixed future period. The savings in 2013/14 and 2014/15 arising from this change have been contributed to the Organisational Transition Reserve. It is proposed to utilise £28.5m of this reserve in 2015/16. Though no further use has yet been built into the figures within this report, it is assumed that this reserve will be used to mitigate future savings and/or be used to help deliver the transformational change that will be required.

#### **Corporate Movement in Reserves and Balances in 2015/16**

- 3.4 In summary, the level of the Council's corporate reserves will reduce in 2015/16 largely due to the use of one off resources that will be brought forward from 2014/15 and the use of the Organisational Transition Reserve (see Table 1.3.2). Non-earmarked reserves and other reserves (excluding directorate balances) are forecast to stay relatively stable.
- 3.5 As in previous years the Highways PFI Grant reserve will be used in 2015/16 to smooth the one-off costs of redundancies. This temporary borrowing is factored in to be repaid before the grant is required to meet PFI costs.

3.6 The City Council will make a net corporate use of reserves of £22.9m in the 2015/16 budget in the following ways:

- Net contributions to the capital fund of £3.7m will be made
- Other one off resources of (£12.2m) generated in prior years will be carried forward and used in 2015/16
- (£1.6m) use of Treasury Management reserve as part of the planned management of the Council's debt and investment portfolio.
- Organisational Transition Reserve (£28.5m), made possible by the change in MRP policy, is to be utilised in order to smooth the transition in 2015/16
- The costs of redundancies in 2015/16 (£1.7m) will be smoothed by the use of reserves, as in recent years
- £15.9m of pre-planned repayments of temporary borrowing undertaken in previous years to support budgets.

3.7 As in recent years the Council's strategy is to continue to build its non-earmarked reserves by making planned contributions of £1.5m per annum. The strategy is, therefore, to increase general balances to £32.0m by 31 March 2019.

3.8 These movements can, therefore, be summarised as follows:

<b>Table 1.3.3 - Corporate Movements in Reserves</b>			<b>Movement</b>
	<b>Contributions to / (from)</b>		
	<b>2014/15</b>	<b>2015/16</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Movements to general fund balance	1.500	1.500	0.000
Contribution to Capital Reserves	1.275	3.662	2.387
Use of one of resources from previous years	(15.000)	(12.177)	2.823
Treasury Management	(1.317)	(1.586)	(0.269)
Use of Organisational Transition Reserve		(28.500)	(28.500)
<b>Sub-total Use of Reserves</b>	<b>(13.542)</b>	<b>(37.101)</b>	<b>(23.559)</b>
<b>Borrowing for:</b>			
Smoothing Pension Fund Strain Payments	(8.353)	(1.657)	6.696
Pension Fund	(4.500)		4.500
<b>Sub-total Borrowing from Reserves</b>	<b>(12.853)</b>	<b>(1.657)</b>	<b>11.196</b>
<b>Net Repayments:</b>			
Equal Pay borrowing from Highways PFI	0.364	0.000	(0.364)
Corporate Borrowing in previous years		4.600	4.600
Pension Fund		4.500	4.500
Other	3.984	6.781	2.797
<b>Sub-total Net Repayments</b>	<b>4.348</b>	<b>15.881</b>	<b>11.533</b>
<b>Repayments and Borrowing</b>	<b>(8.505)</b>	<b>14.224</b>	<b>22.729</b>
<b>Total Reserves Movement</b>	<b>(22.047)</b>	<b>(22.877)</b>	<b>(0.830)</b>

## Directorate Movement in Reserves

- 3.9 In addition, individual directorates plan to use £46.2m of directorate reserves in 2015/16 in order to:
- Deliver Savings Proposals of £20.2m
  - Meet one-off costs from reserves earmarked for these specific purposes;
  - Address any overspending brought forward from previous financial years; and
  - Set aside resources to meet future costs.
- 3.10 As part of this we will make available £3.7m in 2015/16 and £2.3m in 2016/17 to fund the Local Welfare Provision. Any future year's consideration will be addressed in due course.
- 3.11 Directorate reserves will reduce until 2016/17 primarily as a result of the use of grants (including New Burdens and Public Health) and use of underspends brought forward from 2014/15 in People Directorate, after which they are forecast to stay relatively stable.

## 4. Policy Contingency

- 4.1 The figures include a policy contingency totalling £39.7m:

<b>Table 1.3.4</b>	<b>£m</b>
Redundancy costs	10.728
Loss of income from car park closures	0.350
Management Capacity for Change	1.000
Carbon Reduction Commitment	0.991
Inflation Contingency	4.773
Business Charter for Social Responsibility	3.390
Provision for non-achievement of savings	10.000
Youth Strategy	1.000
Birmingham Jobs Fund	2.000
Highways Maintenance	0.500
SEN Reform Grant	0.795
General Contingency	4.130
<b>Total</b>	<b>39.657</b>

- 4.2 The unallocated General Contingency of £4.1m provides risk cover in the overall delivery and management of the budget in 2015/16.

## 5 Levies

5.1 The budget for 2015/16 includes £51.6m (a 5% reduction on the £54.5m levy in 2014/15) in respect of the Integrated Transport Authority Levy (based on a £2.9m reduction in the City Council's share of the levy including an adjustment for the City Council's relative population share) and £0.3m (£0.3m in 2014/15) for the Environment Agency Levy.

## 6. The City Council's 2015/16 General Fund Revenue Budget

6.1 It is proposed that the City Council's General Fund gross revenue budget for 2015/16 will be £2,879.8m and the net budget will be £874.5m. Further details are in Appendix 3H.

6.2 The movements in the net budget have been summarised in Table 1.3.5.

<b>Table 1.3.5 - Summary of Movements in Net Budget</b>					
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>2014/15 net budget</b>	<b>964.937</b>	<b>964.937</b>	<b>964.937</b>	<b>964.937</b>	<b>964.937</b>
<b>Change in Resources</b>					
Reduction Core Grants	(105.607)	(188.661)	(245.827)	(280.830)	(309.298)
Council Tax	11.467	16.481	22.589	28.831	35.213
Business Rates	3.744	6.021	8.741	25.599	32.144
<b>Net Cumulative Reduction in Resources</b>	<b>(90.396)</b>	<b>(166.159)</b>	<b>(214.497)</b>	<b>(226.400)</b>	<b>(241.941)</b>
<b>Net Budget</b>	<b>874.541</b>	<b>798.778</b>	<b>750.440</b>	<b>738.537</b>	<b>722.996</b>
Policy Priorities & Pressures	44.815	55.877	77.069	71.877	83.713
Corporately Managed Budgets	(28.045)	(3.256)	23.246	(6.659)	(8.290)
Changes in Corporate Grants	(5.530)	(3.884)	(3.884)	(3.884)	(3.884)
Inflation	4.594	25.878	40.175	54.447	67.867
Net Movement in Reserves	(0.830)	31.348	7.576	37.985	30.022
<b>Cumulative Changes in Spend</b>	<b>15.004</b>	<b>105.963</b>	<b>144.182</b>	<b>153.766</b>	<b>169.428</b>
<b>Cumulative Savings Requirement</b>	<b>(105.400)</b>	<b>(272.122)</b>	<b>(358.679)</b>	<b>(380.166)</b>	<b>(411.369)</b>
<b>Cumulative Change in Net Budget</b>	<b>(90.396)</b>	<b>(166.159)</b>	<b>(214.497)</b>	<b>(226.400)</b>	<b>(241.941)</b>
<b>Annual Change in Savings Requirement</b>	<b>(105.400)</b>	<b>(166.722)</b>	<b>(86.557)</b>	<b>(21.487)</b>	<b>(31.203)</b>

6.3 The major components of the expenditure and resource forecasts can be seen in Appendix 3B (LTFP). After taking into account ongoing savings delivered up to 2014/15 of £462m, the total requirement of savings from 2010/11 to 2017/18 will be £821m.

### Budgetary Control Framework

6.4 Other than the resources identified to meet specific areas of spending, Directorates are required to cover spending issues, grant reductions, other budget commitments

and changed responsibilities within the level of resources summarised in Appendix 3H.

- 6.5 The City Council's approach to budget management means that any unresolved under or overspending at the end of the 2014/15 financial year will be carried forward to 2015/16 by the relevant Directorate(s), being temporarily placed in or funded from reserves at the end of 2014/15. However, other than the resources identified in paragraph 3.7 to be carried forward from 2014/15, the planning assumption is that the budget in 2014/15 will be balanced.

## **7. Future Challenge**

- 7.1 The LGA's "Future Funding Outlook" estimates the resource position for councils over the period 2010/11 – 2019/20. After assuming that social care and waste spending are protected, their national estimate for funding for all other services will reduce by 43% in cash terms over this decade. However, the LGA also identifies that this is a significant understatement of the challenge as there are many other obligations which cannot be cut significantly, for example, financing costs and transport levies.
- 7.2 The City Council has not yet calculated the detail of the relative future impact on statutory/key and other services for the City Council specifically and further work will be carried out to establish this as part of the Council's 'end state' financial modelling.

### **Future Approach**

- 7.3 Based on Government statements, the Council expects funding reductions up to and including 2019/20, and will therefore plan towards a stable "end state" Council in 2020/21. This work will be framed by the purpose, vision, priorities and principles of the Council. Inevitably this will require radical service change and a greater focus on the decommissioning (in some cases discontinuation) of lower priority services.
- 7.4 As such, in 2015/16 we will set out a financial framework for a change programme taking the authority to 2020/21. This will follow a five stage process:
1. Finalise future years resource forecasts
  2. Identify the 2020/21 services that will be able to be provided by the "Future Council"
  3. Model the multi-year journey to reach 2020/21
  4. Identify specific savings proposals for 2016/17
  5. Consult on the 2016/17 savings proposals and evolving medium/long-term service and financial planning
- 7.5 Further detail can be seen in the Business Plan and Summary Budget.

- 7.6 We intend to continue the open process of policy development, by subjecting the outcomes of the change programme to public engagement later in the year.

## **8. Statements by the Chief Financial Officer**

### **Assessment of Budget Estimates**

- 8.1 Forecasts of available resources have been updated and revised where necessary. A range of financial issues, costs and projects/programmes have been identified and an appropriate level of budget has been provided. Proposals have been developed to deliver the required savings with due regard to consultation and equality assessment requirements, and management arrangements have been put in place to mitigate any residual risks as much as practically possible. Financial proposals have been developed in order to address the policy priorities of the Council. The budget is monitored closely, and there are contingencies and reserves/balances which could be made available, if necessary, to address unexpected events.
- 8.2 Therefore, taking the above into account together with the comprehensive business and financial planning process, the Director of Finance is satisfied that the 2015/16 budget proposals are based on robust estimates.

### **Level of Reserves and Balances**

- 8.3 The change in the policy regarding the provision for debt repayment has resulted in a higher level of non-earmarked reserves than was previously the case. It is proposed that £28.5m of the Organisational Transition Reserve is used to support the 2015/16 budget, with the balance being available (but not yet built into financial plans) to assist in a planned and smooth transition to a future operating model for Council services at significantly reduced costs.
- 8.4 In addition, there are rigorous arrangements in place for the management of the City Council's finances and unearmarked and also earmarked funds that could be made available in the short-term, even if they might be needed in the long-term.
- 8.5 Therefore, the formal view of the Director of Finance is that the level of reserves and balances for 2015/16, summarised in this Financial Plan, is adequate. However, this needs to be kept under regular review, particularly in the medium-term.

## **Part 1 – Chapter 4 – Housing Revenue Account (HRA)**

### **1. Summary**

- 1.1 The HRA Self Financing Framework was introduced from April 2012 (as part of the Localism Act 2011) and this required local authorities to maintain a long term HRA Business Plan.
- 1.2 The HRA Business Plan 2015+ sets out the immediate and long term financial plans and is underpinned by a number of key operational assumptions (relating to property, arrears, debt, inflation and rent levels).
- 1.3 The HRA Business Plan 2015+ shows a balanced long term financial plan and incorporates a debt reduction programme that will commence in 2015/16 (to match the expected life spans of existing properties).
- 1.4 A new national future rent policy has been introduced from April 2015, intended to cover the next 10 year period. This will be based on rent increases at CPI+1% (instead of RPI +0.5%) and the discontinuation of rent convergence for existing tenants from 2015/16 (full details of the rent setting policy are set out in a separate Cabinet Report considered on 16 February 2015). The rent increase for existing tenants for 2015/16 is 2.2%.

### **2. Background**

- 2.1 The City Council is one of the largest providers of social housing in Europe, managing around 64,000 homes representing 15% of the total housing available within the City. There is a substantial level of unmet need for affordable housing in Birmingham, with a waiting list in excess of 20,000 households and the need for an estimated 26,000 additional social rented or affordable homes by 2031.
- 2.2 The Housing Revenue Account is a statutorily ring-fenced account that deals with income and expenditure arising as a result of the City Council's activities as a provider of social and affordable housing. The legislation requires that income and expenditure relating to the City Council's provision of social and affordable housing must be accounted for within the HRA and that the proposed annual budget is balanced.

### **3. Strategic Overview and Context of Financial Pressures on the HRA**

- 3.1 The HRA is under considerable service and financial pressure to reflect national and local policy changes and in particular the following issues are highlighted:
  - Impact of the Welfare Reforms and the introduction of the Universal Credit – research conducted by the Association of Retained Local Authorities indicated that arrears increased in those areas where Universal Credit has been introduced by an average of 16% in the first quarter of 2013. As direct payment of housing



benefit to recipients is introduced, this is likely to increase substantially. This pressure is also reflected in Birmingham (this has required an increase in the provision for arrears).

- The impact of the revised national rent policy (use of CPI and discontinuation of rent convergence) is estimated to result in a loss of income of more than £60m over 10 years.
- The impact of lower than anticipated annual inflation projections over the coming 12-18 months (with CPI for the coming year anticipated to remain at 0.5%), resulting in reduced annual increases in rental income that are not fully offset by savings in repairs and local housing management expenditure.
- The significant remaining equal pay liabilities relating to current and former HRA employees estimated at £29m in 2015/16 and future years.
- Potential cost pressures following the re-tender of the repairs contract as the construction industry recovers (the current contracts were tendered in 2008 at the lowest point in the economic cycle and expire in September 2015).

3.2 In addition, there are statutory requirements to ensure an annual balanced budget is set and that the service is sustainable and affordable in the long run based on the HRA Self-Financing framework.

#### **4. Key Outcomes and Strategic Housing Service Objectives**

4.1 The HRA Business Plan 2015+ is intended to support the following key strategic and housing service objectives:

4.2 Building New Homes and Maintaining our Stock

- Provision of new affordable housing to replace obsolete properties and provide a significant contribution to the Housing Growth Strategy and the Leader's Policy Statement (2,350 new council homes over the next ten years with an investment of £328m).
- Maintaining properties in their current improved condition (to ensure that the properties are not impaired) with an investment of £605m over the next ten years.
- Life-cycle replacement of property components (windows, heating, kitchens, bathrooms, roofs, electrical components).
- Discharge of statutory day to day repairs and maintenance obligations (including compliance with health and safety on annual gas inspections) with investment of £733m over the next ten years.
- Adaptations to properties to continue to promote independent living (an investment of £36m over the next ten years).

#### 4.3 Local Housing and Estate Services

- Refocus local housing management services to take a more integrated approach to Place Based Management, including housing issues rather than the historic functional approach.
- Modernise the delivery of local housing management services (introduction of annual visits and enforcement of tenancy conditions, in particular anti-social behaviour).
- Remodel local estate services, particularly the introduction of a modern digital based concierge service to provide value for money and reduce the service charges (detailed in a separate report to Cabinet on 16 February 2015). This will result in a reduction in average charges to tenants for this service of 64%.
- An ongoing review of other estate based services that are subject to service charges (including caretaking, cleaning and sheltered housing services), with any resulting service redesigns and revisions to service charges to be delivered during 2015/16 and 2016/17. These service reviews are designed to ensure that the services are efficiently delivered and offer good value for money to the tenants in receipt of the services, whilst ensuring that they are not cross-subsidised from other tenants not receiving the services.
- Secure efficiencies in Business Support Services.

#### 4.4 Rent Policy

- to ensure that the rent policy is consistent with the self-financing settlement in order to promote the long term sustainability strategy and is in line with the new national rent policy rents will increase by 2.2% in 2015/16 (with further increases of CPI +1% for subsequent years).

### 5. HRA Business Plan 2015+ and Budget 2015/16

5.1 A summary of the HRA Self Financing Business Plan 2015+ is set out in Appendix 3I.

5.2 In summary, the Business Plan will ensure a continued sustainable and affordable long-term financial plan for the housing service (sustained reduction in long-term debt and affordable rents) and the strategic financial issues are highlighted below:

- A balanced revenue budget over the next 10 years, achieved as a result of:
  - Increased revenue contributions to support planned capital expenditure, including the Birmingham Municipal Housing Trust (BMHT) programme approved by Cabinet on 8 December 2014.
  - Reduced annual increases in rental income, repairs and local housing management expenditure as a result of reduced annual inflation expectations for the coming 12-18 months.

- Rephasing and deferral of the planned debt repayment and reduction programme to ensure a balanced overall position year on year.
- The increase in the revenue financial support to the capital programme will be supplemented by additional capital grants from the Homes and Communities Agency (£4m), together with specific new borrowing for new build schemes via the Local Growth Fund (£15m), to enable the construction of at least 350 additional new social or affordable rented homes over the 10 year period to 2024/25.
- The debt repayment strategy still commences from 2015/16 (as planned although the total forecast debt outstanding by 2024/25 is £71m higher than previously planned – representing the extra borrowing undertaken for new build under the approved BMHT programme, funded by £60m debt repayment deferrals and £15m of extra borrowing through the Local Growth Fund offset by accelerated repayments of £4m). This higher level of debt outstanding is affordable due to the associated increased rent income.
- The total debt outstanding is forecast to fall below £500m by 2029/30 (compared to 2028/29 in the previous plan), with the ratio of debt:income reduced to below 2:1 by 2024/25.
- Average borrowing per property of £18k in 2015/16, reducing to £14k over the next 10 years (effectively our average mortgage on each HRA property).
- Maintenance of adequate reserves and provisions for potential bad debts (estimated for 2015/16 at £28m including minimum balances of £4m and provisions for bad debts of £24m).

5.3 The comparison of the HRA budget for 2014/15 and the proposed budget for 2015/16 is set out in Table 1.4.1.

<b>Table 1.4.1</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>Change £m</b>	<b>Change %</b>
Repairs	67.669	67.984	0.315	0.5%
Local Housing Costs	54.619	58.531	3.912	7.2%
Estate Services Costs	19.227	20.690	1.463	7.6%
Equal Pay	9.900	19.111	9.211	93.0%
Arrears (including DHP)	7.153	4.867	(2.286)	(32.0%)
Debt Financing Costs	56.783	54.308	(2.475)	(4.4%)
Debt Repayment	0.000	10.890	10.890	-
Contbns for Capital Investment	68.292	53.576	(14.716)	(21.5%)
<b>Total Expenditure</b>	<b>283.643</b>	<b>289.957</b>	<b>6.314</b>	<b>2.2%</b>
Rental Income (net of Voids)	(262.296)	(266.726)	(4.430)	1.7%
Other Income/Service Charges	(21.347)	(23.231)	(1.884)	8.8%
<b>Total Income</b>	<b>(283.643)</b>	<b>(289.957)</b>	<b>(6.314)</b>	<b>2.2%</b>

The cost changes on the Local Housing and Estate Services elements relate primarily to a substantial increase in employer pension contributions together with allowances for inflationary pressures on both employee and non-employee costs.

## 6. HRA Business Plan 2015+ – Short Term and Long Term Financial Evaluation

6.1 The revenue aspects of the HRA Business Plan 2015+ are summarised below:

<b>Table 1.4.2 HRA Business Plan 2015+</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>10 Year £m</b>
Repairs	67.984	67.924	69.511	733.292
Local Housing Costs	58.531	58.518	59.782	621.329
Estate Services Costs	20.690	20.481	21.105	225.383
Equal Pay	19.111	9.664	0.033	28.808
Arrears	4.867	4.926	4.586	46.901
Debt Financing Costs	54.308	54.235	53.836	504.165
Debt Repayment	10.890	0.000	8.464	275.101
Contbns for Capital Investment	53.576	78.334	85.290	794.997
<b>Total Expenditure</b>	<b>289.957</b>	<b>294.082</b>	<b>302.607</b>	<b>3,229.976</b>
Rental Income (net of Voids)	(266.726)	(270.174)	(278.225)	(2,976.650)
Other Income/Service Charges	(23.231)	(23.908)	(24.382)	(253.326)
<b>Total Income</b>	<b>(289.957)</b>	<b>(294.082)</b>	<b>(302.607)</b>	<b>(3,229.976)</b>

## 7. Capital Programme

7.1 The capital expenditure plans for the council housing stock are set out in Table 1.4.3 below (including the major programmes and the financing of the expenditure). The capital investment strategy is based on ensuring that the properties continue to be maintained in their improved condition in order to promote strong and stable neighbourhoods and the provision of new social and affordable rented housing to meet the continuing demand and need for new homes.

<b>Table 1.4.3 Capital Expenditure</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>Total £m</b>
Housing Improvement Programme	56.545	56.313	57.611	170.469
Adaptations	3.205	3.286	3.368	9.859
New Build and Regeneration	40.331	46.971	41.666	128.968
<b>Total</b>	<b>100.081</b>	<b>106.570</b>	<b>102.645</b>	<b>309.296</b>
<b>Funded by:</b>				
Revenue Contributions	(53.576)	(78.334)	(85.290)	(217.200)
New Borrowing	(5.760)	(12.857)	0.000	(18.617)
Other resources	(40.745)	(15.379)	(17.355)	(73.479)
<b>Total</b>	<b>(100.081)</b>	<b>(106.570)</b>	<b>(102.645)</b>	<b>(309.296)</b>

7.2 Other resources for 2015/16 include slippage carried forward from 2014/15 (£16m).

**Part 1 – Chapter 5 - Capital Resources****1. Summary**

- 1.1 The Capital Programme is financed predominantly from HRA resources, prudential borrowing, Government Grants and other contributions. Capital receipts will for the current plan period generally be used to fund equal pay settlements.

**2. Capital Resources**

- 2.1 Resources of £1,046.3m have been identified to fund the City Council's multi-year Capital Programme. These are summarised in table 1.5.1 below, and can be divided into specific resources and corporate resources.

**Table 1.5.1**  
**FINANCING THE CAPITAL PROGRAMME**

	2015/16	2016/17	2017/18	Total
			Onwards	
	£m	£m	£m	£m
<b>Specific resources</b>				
Government Grants & Contributions	122.5	20.0	103.1	245.6
HRA Revenue Resources	69.6	78.3	88.6	236.5
Other Specific Revenue Resources	4.2	0.0	0.0	4.2
HRA Capital Receipts	11.5	11.9	8.9	32.3
Total Specific Resources	207.8	110.2	200.6	518.6
<b>Corporate resources</b>				
Prudential Borrowing	279.7	109.5	138.5	527.7
Un-ringfenced Government Grants <sup>(1)</sup>	0.0	0.0	0.0	0.0
Capital Receipts	0.0	0.0	0.0	0.0
Total Corporate Resources	279.7	109.5	138.5	527.7
<b>Total Resources</b>	<b>487.5</b>	<b>219.7</b>	<b>339.1</b>	<b>1,046.3</b>

(1) Any Government un-ringfenced grants will be included in the revised capital budget when they have been announced.

### **3. Specific resources**

- 3.1 Specific capital resources total an estimated £518.6m over all years and represent funding which has been obtained for a particular purpose - e.g. specific government grants, developer contributions, HRA revenue resources and HRA Right to Buy capital receipts. These projects are added to the capital programme on a rolling basis as the resources are awarded to the City Council and as HRA revenue resources and capital receipts become available.
- 3.2 The largest component of specific resources is Government grants and other capital contributions, for which the City Council is budgeting to receive £245.6m over the multi-year capital programme. The Government continues to support a number of major investment programmes in local authority assets. For the City Council this includes grants for Education Basic Needs (school places). These programmes will form a significant part of the capital investment undertaken by the City Council in the next few years. The Government also supports capital investment in the Highways Maintenance and Management PFI through revenue grant but as the City Council does not directly incur capital expenditure, PFI is not part of the capital resources shown in table 1.5.1 above.
- 3.3 HRA revenue contributions of £236.5m and HRA capital receipts of £32.3m are planned to support capital investment in the HRA Business Plan, in accordance with the self-financing reform of housing introduced by the Government in 2012/13.
- 3.4 Other specific revenue resources of £4.2m are programmed to support capital investment across a number of minor schemes.

### **4. Corporate resources**

- 4.1 Corporate capital resources presently assumed for the programme total £527.7m over the three years. These represent resources which the City Council has more freedom to allocate to meet its own policy priorities and expenditure commitments.
- 4.2 The Government may allocate un-ringfenced capital grants to the City Council for capital programmes such as adults' and children's social services. These will be added to the Capital Programme when notification is received.
- 4.3 The City Council's capital financing plans seek to use capital resources in the most efficient way to finance the City Council's needs. This is expected to include using borrowing to provide general support to the Capital Programme, instead of capital receipts or revenue reserves which will be made available to fund Equal Pay settlements. All of the £527.7m corporate resources assumed in this Programme therefore are from prudential borrowing. Final decisions as to how best to fund the capital programme are taken as part of the capital outturn process at the end of the year. The review of major capital budget considerations (Chapter 6 overleaf) sets out a prudent policy in relation to future borrowing.

- 4.4 Capital receipts are expected to be used to finance equal pay settlements. Equal pay settlements are a revenue cost (and are therefore not included in the Capital Programme) which Government Regulations enable local authorities to fund from capital receipts. Whilst the capital receipt from the sale of the NEC Group will make a significant contribution to the funding of equal pay liabilities, the City Council will need to progress further opportunities for generating capital receipts from asset sales, in order to meet all outstanding equal pay liabilities.
- 4.5 The City Council will actively seek to identify and dispose of surplus assets actively with a view to securing good value for money (see Part 3 – Property and Other Physical Assets Strategy). As asset sale opportunities are developed they are approved through the City Council’s normal governance procedures. The financial implications of the funding of Equal Pay settlements have been included in the Budget, and in the Long Term Financial Plan in relation to later years. This takes account of borrowing costs and loss of income or other costs arising from asset sales.



## **Part 1 – Chapter 6 – Major Capital Budget Considerations**

### **1. Summary**

- 1.1 This chapter sets out the strategic principles and considerations in relation to the Council's capital budget, in terms of both expenditure and how it is resourced.
- 1.2 This Chapter also sets out the major considerations which have been taken into account in producing the proposed Capital Programme, including the financial policies applied in addressing these considerations.

### **2. General Strategic Principles**

- 2.1 There are some general strategic principles underlying capital planning for all services. These are to:
  - Integrate capital planning into the City Council's overall strategic planning, both in general and as part of the Council Plan and the Long-Term Financial Strategy;
  - Maximise external funding and to supplement this with the City Council's own resources where appropriate, especially where external funding supports the City Council's priorities;
  - Procure the use of capital assets where this is affordable and delivers best value for money to the City Council, including a robust process for the appraisal and approval of capital projects and programmes (the 'Gateway' process);
  - Welcome the use of partnership working (for example with businesses and with the community) whilst retaining clear lines of accountability and responsibility;
  - Relate capital resources and expenditure planning to asset planning;
  - Ensure that resources are identified to meet the costs of equal pay settlements.

### **3. Strategic Capital Planning**

- 3.1 The Property and Physical Assets Strategy in Part 3 of this Business Plan sets the overall strategic approach to the City Council's asset planning.
- 3.2 Capital and asset strategies for individual services (Appendix 4A) seek to identify the main plans at service level for strategically aligned and affordable asset use and capital investment. The City Council's key priorities for capital expenditure therefore include:

- responding in particular to the overall need for service change and delivery in future years in the context of reducing revenue resources;
- using the limited capital resources at the City Council's discretion to address its key priorities; and
- seeking to maintain core assets at a level consistent with ongoing operational needs.

#### **4. Prudential Borrowing and Debt**

- 4.1 CIPFA's Prudential Code sets a framework to ensure that capital expenditure plans are affordable; that any City Council borrowing and other long term liabilities are within prudent and sustainable levels; and that treasury management decisions are taken in accordance with professional good practice. The City Council has adopted the Prudential Code, and will use borrowing in accordance with the 'Prudential' system as a tool for delivering policy and managing its finances. Local authorities may borrow to finance capital expenditure, and the affordability of debt is the key constraint. Borrowing is also influenced by Government policy (for example the £336m additional Housing debt resulting from the reform of housing finance in 2012). The City Council sets and monitors prudential indicators (including local indicators) to manage its debt exposures.
- 4.2 Appendix 4C analyses planned prudential borrowing between projects which are self-financed through additional income or savings, borrowing to support the financing of equal pay, and projects whose borrowing requires additional budget support. A significant part of planned Council borrowing is £194.6m borrowing for the Enterprise Zone (of which £57.0m is planned for 2015/16), which will be funded from additional business rates income. Of the planned prudential borrowing of £279.7m in 2015/16, £193.4m represents projects which are self-financed from income or savings, £34.8m represents City Council capital projects which require support from existing Council revenue resources, and £51.5m is borrowing to replace capital receipts used to fund equal pay. The Council's revenue budget includes provision to meet the net cost of all the above borrowing.
- 4.3 The City Council has been, and is currently guaranteeing the repayments due on the NEC (Developments) loan outstanding of £73m, and puts NEC Group in funds to make the interest payments. Upon completion of the NEC disposal, this will be represented as a direct liability on the City Council's balance sheet (formerly the liability was included in the Council's Group balance sheet). Taking account of the prudential borrowing described above, the NEC (Developments) funding and other City Council cashflows, total planned loan debt including PFI and other long term liabilities is as follows:

**Table 1.6.1**  
**Forecast debt outstanding**

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18<sup>1</sup></b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Forecast opening gross debt (incl. PFI etc)	3,712.8	3,832.7	3,988.7
Capital expenditure financed from borrowing (Appx 4C):			
- Self funded	193.4	88.8	78.2
- Requiring budget support	34.8	12.9	4.6
- Borrowing to replace receipts used for Equal Pay	51.5	7.8	1.1
Liability for NEC (Developments) loan	73.0	0.0	0.0
Other cash flows	(92.9)	193.9	120.6
Less Loan debt repayment provision (MRP)	(123.1)	(126.3)	(142.1)
Change in PFI and similar liabilities	(16.8)	(21.1)	(22.2)
<b>Forecast closing gross debt (incl. PFI etc)</b>	<b>3,832.7</b>	<b>3,988.7</b>	<b>4,028.9</b>
<b>Of which:</b>			
General Fund debt	2,719.2	2,862.3	2,911.0
HRA debt	1,113.5	1,126.4	1,117.9

<sup>1</sup> figures for 2017/18 show that year only and exclude later years.

4.4 Use of prudential borrowing in the next few years will be constrained by the City Council's reducing revenue resources and the need to maintain the sustainability and affordability of its debt position, and close control will be exercised over all prudential borrowing for new projects. Services generally meet the costs of prudential borrowing they propose from within their current and forecast net revenue budget. HRA borrowing will also continue to be constrained during 2015/16 by the statutory HRA debt cap. Although the Government has agreed a limited relaxation to the Council's HRA debt cap, this represents a small increase.

4.5 Chapter 7 considers the Prudential Borrowing limit, and Appendix 4D and 4E set out the full Prudential Indicators. The Prudential Indicators do not make the distinction (in paragraph 4.2 above) between debt which is self-financed and debt which requires net revenue support from Council resources.

## **5. Debt Repayment Policy: the Annual MRP Statement**

5.1 Local Authorities are required by law to make prudent provision in relation to capital debt repayment (known as "Minimum Revenue Provision" or MRP). Government Guidance requires the full Council to approve a statement of its policy on MRP. The City Council's policy is attached at Appendix 4F. This reflects the revised policy approved by City Council on 16 September 2014, with updates in relation to HRA MRP in accordance with the revised HRA Business Plan.

5.2 The City Council's MRP Policy is key to managing debt liabilities and generating the potential for headroom for new borrowing if affordable and required. The loan debt

revenue repayment provision in this Business Plan amounts to £123.1m in 2015/16 rising to £142.1m in 2017/18. Half of the City Council's planned loan debt outstanding at 31 March 2018 will be repaid by 2030/31, based on the current capital programme and MRP repayment provision, excluding any further prudential borrowing which may subsequently be approved. The HRA revenue repayment provision has been revised in accordance with the HRA Business Plan set out in Chapter 4 above, and retains a policy objective to deliver a debt to revenues ratio of 2:1 by 2025/26.

## **6. The Approved Capital Budget and Business Case Appraisal**

- 6.1 Projects included in the Capital Programme will not proceed to spend until they have been approved through the City Council's 'Gateway' appraisal process. This managed approval process appraises options to deliver desired outputs, sets out the rationale to support the recommended solution and ensures that all capital and revenue implications are identified and funded. Account is also taken of the outcome of consultations, equality and risk assessments, and contribution to the City Council's strategic objectives.

## **7. Asset Sales and Capital Receipts**

- 7.1 The City Council's general policy is that assets will be disposed of for cash at the best market value. Exceptions to this policy may be approved by Cabinet.
- 7.2 The general presumption is that any new receipts will be used to meet Equal Pay costs. However, it is recognised that services' existing approved capital plans may rely on previously approved capital receipts in some instances, where the use of earmarked/incentive receipts is already included in the approved Capital Budget. In these instances, the earmarking or incentive remains in place (subject to approval of the Full Business Case in the usual way). The Deputy Leader (through the Capital Receipts Board) oversees arrangements to allow services to obtain the revenue benefit of appropriate property sales, in order to incentivise the rationalisation of property holdings. The revenue benefit is currently estimated at 8% of the capital receipt, per annum. The revenue benefit might for example offset any loss of income to the service arising from selling an income-generating property. All such proposals will require a review by the Capital Receipts Board before proceeding for formal decision. Statutory requirements or existing legal agreements relating to the use of capital receipts will be unaffected.
- 7.3 Proposals by a service to appropriate land for a different purpose to its existing use will also be reviewed by the Capital Receipts Board before proceeding for formal decision, because the land could otherwise have been sold for a capital receipt. As a general principle, land no longer required for its existing use should be declared surplus so that options about its future use or sale can be considered.
- 7.4 The City Council has supported the objectives of the Quirk review of community assets, to encourage community cohesion and participation. The 'Standing up for

Birmingham' initiative also seeks increased community engagement in the delivery of local public services. In support of this and in accordance with the terms of the Localism Act 2011, the City Council may be prepared to sell City Council assets at less than best value to third sector organisations with the capabilities to use the assets to provide agreed services. The LoCAL Programme oversees a range of community initiatives of this kind, including Community Asset Transfers of property (CATs). It is recognised however that sales at less than best price may reduce the capital receipts available to fund other City Council needs and policies. Accordingly, proposed land sale discounts are reviewed by the Capital Receipts Board before proceeding for formal decision.

## **8 Un-ringfenced Capital Grants**

- 8.1 The Government provides capital resources to local authorities via a mixture of 'ringfenced' and 'un-ringfenced' capital grants.
- 8.2 Un-ringfenced capital grants are, in theory, available for the City Council to spend in accordance with local priorities. However, in practice, the Government Departments which still issue these un-ringfenced grants expect them to be used largely to achieve their targets and objectives for the services.
- 8.3 For 2015/16, the City Council will continue its policy to use these un-ringfenced grants in line with the Government department assumptions.

## **Part 1 – Chapter 7 - Capital Programme**

### **1. Summary**

- 1.1 The City Council continues to have an extensive multi-year Capital Programme which totals £1,046.3m, of which £487.5m is budgeted in 2015/16.
- 1.2 Given the continuing constraints on capital resources (and especially the constraints on corporate capital resources), the emphasis again this year is therefore on seeking external funding where possible for new initiatives.
- 1.3 Previous chapters have set out the forecast capital resources available over the next three years and the major financial considerations for capital resources and investment. This chapter sets out the proposed Capital Programme in this context.

### **2. Development of the Capital Programme**

- 2.1 Capital expenditure which is financed from specific grants and contributions has been included in the Capital Programme based on available information at the time of preparation. Additional projects are likely to be added to the budget during the year as and when resources become available. Capital expenditure funded from specific grants and contributions amounts to £245.6m in this Budget. Given that the potential for further corporate funding will be limited, the main focus will be on obtaining external funding.
- 2.2 The proposed Capital Programme includes £527.7m financed from borrowing over the Capital Programme period. This includes borrowing for major commitments from earlier decisions including funding for the ten year Enterprise Zone general investment plan (£194.6m from 2015/16 onwards), Southside (£37.0m), the Sport and Physical Activity Strategy (£33.9m) and the Wholesale Markets relocation project (£43.0m).
- 2.3 The additions to the Capital Programme, since last reported to Cabinet at Quarter 2 2014/15, are set out in Appendix 4B(ii). These include additions to the Capital Programme at 31 December 2014 which will be considered further by Cabinet in March 2015 Capital Monitoring, together with new resources of £61.2m for IT Investment and £3.9m for the Sport and physical activity strategy which are described in the Asset and Capital Strategies in Appendix 4A

### **3. Total Capital Programme**

- 3.1 The proposed Capital Programme has been prepared having regard to the City Council's plans and priorities set out in the Business Plan and Summary Budget, the Property Strategy in Part 3 and in this Financial Plan in Part 1. The programme by Directorate is therefore as follows:

**Table 1.7.1 - Capital Programme by Directorate**

<b>Capital Expenditure</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18 Onwards</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>People</b>				
Adults & Communities	8.6	0.2	4.1	12.9
Children, Young People & Families	49.7	-	91.4	141.1
<b>Place</b>				
Parks, Sport, Districts & Other	45.2	29.7	4.4	79.3
Housing HRA	100.1	106.6	102.6	309.3
Housing Private Sector	14.0	8.8	4.4	27.2
Highways	4.1	1.3	-	5.4
<b>Economy</b>				
Corporate Resources	64.1	18.8	34.4	117.3
Regeneration (incl Enterprise Zone)	96.4	47.9	97.8	242.1
Transportation	97.5	6.4	-	103.9
Culture & Commissioning	7.8	-	-	7.8
<b>Total Programme</b>	<b>487.5</b>	<b>219.7</b>	<b>339.1</b>	<b>1,046.3</b>

- 3.2 Appendix 4B provides a summary of the projects in the above Programme, and Appendix 4A summarises the capital and assets strategies and projects for major services.
- 3.3 The City Council increasingly works with partners to deliver capital investment in Birmingham in ways which are not necessarily reflected in the City Council's own budget. Where this has been supported by Council borrowing, this has been allowed for in the Prudential Limit as required by the Prudential Code. The City Council also acts as Accountable Body to manage resources and projects on behalf of others, in particular for the Greater Birmingham and Solihull Local Enterprise Partnership (GBS LEP) and for Government Departments, and this funding is also in addition to the Council's own capital programme.
- 4. Prudential Code and Indicators**
- 4.1 In determining the capital budget, the CIPFA Prudential Code expects local authorities to take account of various matters and to consider and approve a number of 'prudential indicators'. These relate to the capital programme generally as well as borrowing. The Prudential Indicators at Appendix 4D and 4E take account of the above capital budget.
- 4.2 The City Council's proposed Prudential Limit retains some limited scope for new prudential borrowing over and above what is included in the proposed capital

programme, for example where the revenue costs can be met from additional income or savings, and to ensure the City Council has some resources for essential capital works and key priorities including investment in the further substantial transformation of services which will be requested to meet future savings targets.

4.3 The Prudential Limit for Debt represents the Authorised statutory limit for the City Council, which must not be exceeded. Authorities should therefore allow for risks, uncertainties, and potential changes during the year which will need to be accommodated within this overall limit. In particular, the proposed limit for 2015/16 allows for:

- Borrowing to finance capital expenditure;
- Other forecast cashflow movements during the year and potential day-to-day fluctuations in debt levels;
- Revenue provisions to repay debt; and
- Changes in other long term debt liabilities, primarily capital expenditure under the Highways Maintenance PFI.

Taking these factors into account, the Prudential Limit for Debt has been increased from £4,100m to £4,300m for each of the years 2015/16 and 2016/17, and to £4,400m for 2017/18. The limit is calculated as follows:

**Table 1.7.2 - Forecast debt and Authorised Prudential Limit, based on the current capital programme**

	2015/16 £m	2016/17 £m	2017/18 £m
Year end gross loan debt	3,318.9	3,496.1	3,558.5
Year end PFI and similar liabilities	513.8	492.6	470.4
<b>Forecast year end gross debt incl. PFI etc (from table 1.6.1)</b>	<b>3,832.7</b>	<b>3,988.7</b>	<b>4,028.9</b>
Allowance for planned cashflows, day to day fluctuations and other potential borrowing	467.3	311.3	371.1
<b>Authorised Prudential Limit for Debt</b>	<b>4,300.0</b>	<b>4,300.0</b>	<b>4,400.0</b>



## **Part 1 – Chapter 8 – Treasury Management Strategy**

### **1. Summary**

- 1.1 This chapter sets out the proposed Treasury Management Strategy for 2015/16 given the interest rate outlook and the City Council's treasury needs for the year, and in accordance with the Treasury Management Policy at Appendix 4G.
- 1.2 A balanced strategy is proposed which maintains a significant short term and variable rate loan debt in order to benefit from current low rates, whilst taking a substantial amount of fixed rate borrowing to obtain a fixed interest cost while fixed rates are low. This strategy recognises the risk trade-offs between short and long term borrowing costs. The balance between short and long term funding will be kept under review by the Director of Finance and will be maintained within the prudential limit for variable rate exposures.
- 1.3 Separate loans portfolios are maintained for the General Fund and the HRA. Separate treasury strategies are therefore set out below where relevant.

### **2. Treasury Management Policy and objectives**

- 2.1 The Treasury Policy Statement (Appendix 4G) sets the City Council's objectives and provides a management and control framework for its Treasury Management activities, in accordance with CIPFA's Code of Practice for Treasury Management in the Public Services.
- 2.2 For the City Council, the achievement of high returns from treasury activities is of secondary importance compared with the need to limit the exposure of public funds to the risk of loss.
- 2.3 These objectives must be implemented flexibly in the light of changing market circumstances.

### **3. The City Council's loan debt**

- 3.1 The City Council's net loan debt portfolio at 31<sup>st</sup> March 2015 is forecast to be as follows:<sup>1</sup>

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<sup>1</sup> This Strategy relates to loan debt only. Other debt liabilities relating to PFI and finance leases are not considered in this Strategy, and are managed separately. Throughout this Business Plan, debt and investments are expressed at nominal value, which may be different from the amortised cost value used in the statutory accounts.

**Table 1.8.1 – Forecast net loan debt portfolio at 31 March 2015**

		Debt £'m
Short term and variable rate debt		367.8
Fixed Rate:	Under 5 Years	234.1
	5-9 years	206.8
	10-19 years	745.3
	20-39 years	1,036.5
	40+ years	591.7
<b>Gross loan debt</b>		<b>3,182.2</b>
Investments		(40.0)
<b>Forecast Net loan debt at 31 March 2015</b>		<b>3,142.2</b>
Representing:	HRA loan debt	1,118.6
	General Fund loan debt	2,023.6
		<b>3,142.2</b>

#### 4. City Council Borrowing Requirement

- 4.1 The proposals in this Business Plan result in planned loan debt, net of treasury investments, over the three year period as follows:

**Table 1.8.2 – Forecast net loan debt**

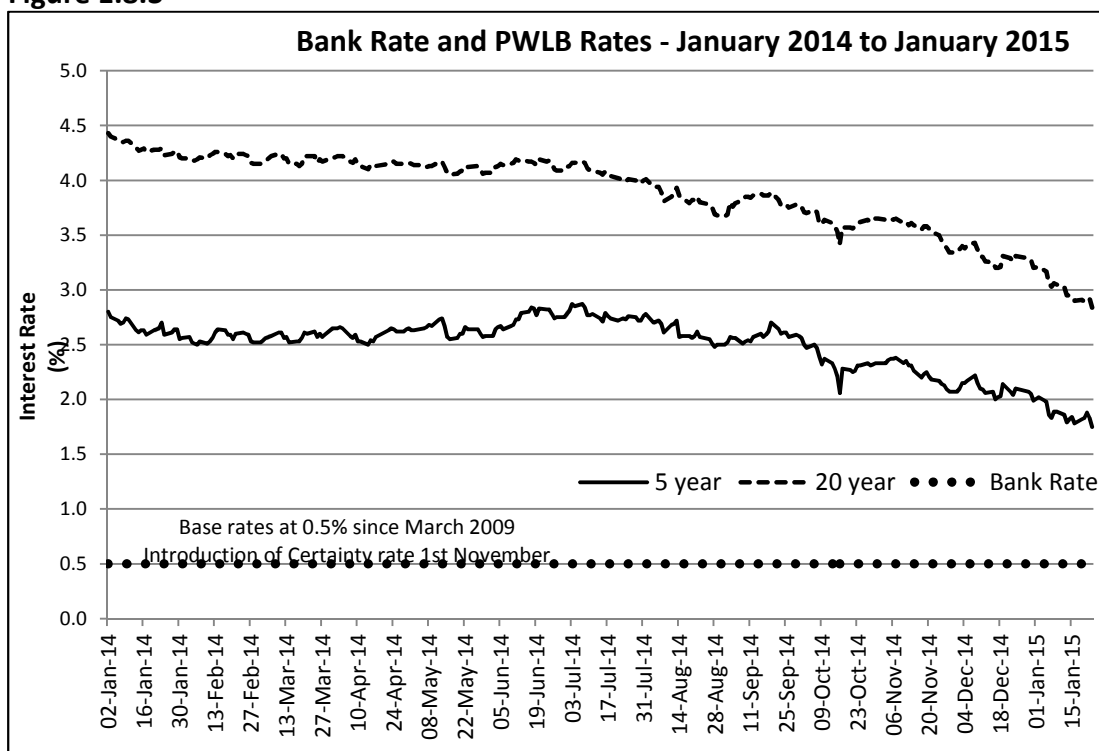
	2015/16 £'m	2016/17 £'m	2017/18 £'m
Net loan debt 1 April	3,142.2	3,279.0	3,456.1
In-year net cashflows:			
Capital financed from borrowing	279.7	109.5	83.9
Provision for debt repayment	(123.1)	(126.3)	(142.1)
Day-to-day variations in cashflow	(19.8)	193.9	120.6
<b>Net loan debt 31 March</b>	<b>3,279.0</b>	<b>3,456.1</b>	<b>3,518.5</b>

- 4.2 The City Council has borrowed £206.9m of Lender's Option Borrower's Option (LOBO) loans in which the lender has the right to call for repayment at certain dates during the loan term. Around £136.9m (£96.9m in 2015/16 and £0.0m in 2016/17, and £40.0m in 2017/18) of these options have the potential to be exercised during the coming three financial years. This would significantly increase the City Council's draft refinancing needs, but is considered unlikely to happen in the current market environment.

## 5. Interest Rate Outlook

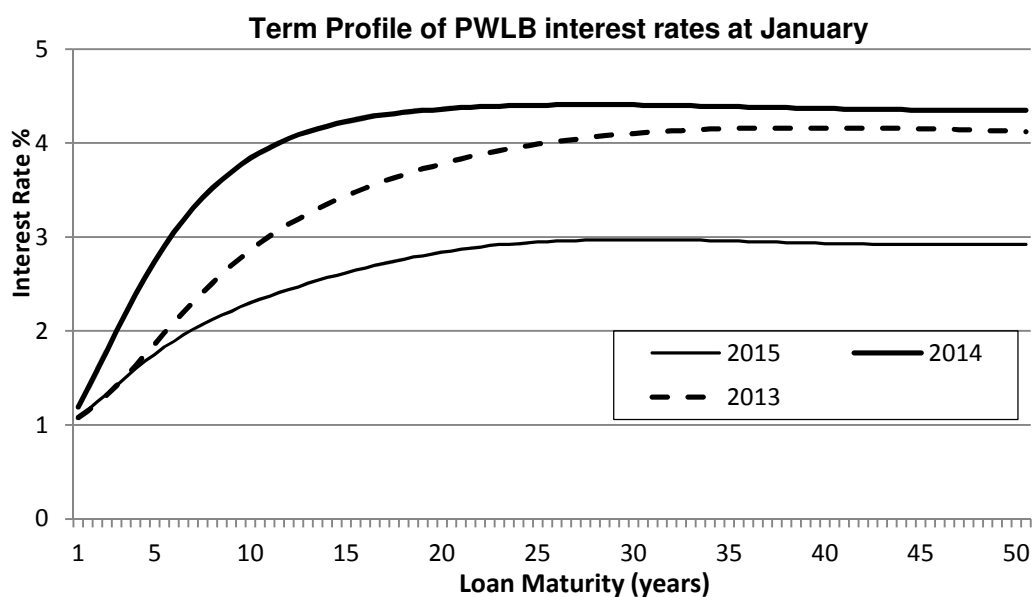
- 5.1 The outlook for the world and the UK economy is very mixed and more than usually uncertain. The USA, China and, to a lesser extent, the UK are showing some economic recovery, but the Eurozone is struggling and some form of quantitative easing there seems likely. Inflation has fallen well below the Bank of England’s target and looks to remain very low. In this context, many commentators expect little or no rise in base rates during 2015 from the current 0.5%.
- 5.2 Long term interest rates look likely to remain low during 2015/16 given the lack of growth and inflation in the world economy, although an upwards trend may be expected responding in particular to brighter economic prospects in the USA. It is likely to be in the City Council’s long term interests to take some long term fixed rate borrowing in the coming year or so in order to limit the proportion of short term and variable rate borrowing.
- 5.3 The figure below shows how base rates and long term rates from the Public Works Loans Board (PWLB) have moved since January 2014 – although past performance is, of course, not necessarily a guide to the future.

**Figure 1.8.3**



- 5.4 Figure 1.8.4 below shows PWLB loan rates in early January 2013, 2014 and 2015. The cost of fixed rate borrowing has fallen significantly in the last year, but continues to increase steeply from 1 year rates at 1.08% to ten year rates at 2.3%:

**Figure 1.8.4**



5.5 The main risks to UK interest rates in 2015/16 relate to the development of the world economy:

Upward pressure on UK interest rates:

- Marked indications of strengthening US, UK or Eurozone economic recovery
- Re-emergence of inflation concerns

Downward pressure on UK interest rates:

- Eurozone sovereign debt crisis re-emerges
- Further weakness in UK and international economies
- Lower than expected inflation, or deflation
- International political instability

## 6. Sources of borrowing

6.1 The City Council is able to borrow from the PWLB at its 'certainty rate' at approximately 0.8% above gilt yields. Slightly cheaper 'project rate' borrowing is available from the PWLB for Enterprise Zone projects.

6.2 The City Council will consider using other sources of long term borrowing if the terms are suitable. This may include private placements, bilateral loans from banks, local authorities or others, loans from the European Investment Bank, or loans from the Municipal Bonds Agency which is being developed to borrow from the capital markets and on-lend to local authorities.

6.3 Short term borrowing is available largely from other local authorities. It may be possible to supplement this with borrowing from other sources such as banks.

## **7. 2015/16 Strategy: HRA and General Fund**

7.1 The HRA inherited a largely long term fixed rate debt portfolio in 2012, and its debt is capped in accordance with statutory HRA debt limits. For the next three years from 2015/16, its debt is not changing significantly as a result of the current HRA Business Plan. No new long term borrowing for the HRA is therefore currently planned.

7.2 For the General Fund, a balanced strategy is proposed which maintains a significant short term and variable rate loan debt in order to benefit from current low short term rates, whilst taking some fixed rate long term borrowing to limit the Council's exposure to increases in short term and variable interest rates. The budget assumes new fixed rate borrowing of around £340m during the remainder of 2014/15 and during 2015/16. This takes advantage of the low long term fixed rates currently available, and reduces the impact of future interest cost increases. It also ensures that variable rate exposures remain within the 30% prudential limit (set out in Appendix 4G). However, this will be more expensive for the next year or two than variable rate funding, so it would mean higher costs in the short term in return for potentially lower costs in the long term. This has been factored into the treasury management budget.

7.3 The City Council's exposure to short-term and variable interest rates in accordance with the strategy above is as follows (identifying the HRA and General Fund separately):

**Table 1.8.5 - Forecast Variable Rate Exposure based on the proposed borrowing strategy**

<i>(taking account of debt maturities and proposed long term borrowing)</i>	2015/16 £'m	2016/17 £'m	2017/18 £'m
<b>Housing Revenue Account</b>			
Year end net exposure to variable rates	36.1	75.4	84.4
Closing HRA net loan debt	1,113.5	1,126.4	1,117.9
Variable exposure % of debt	3.2%	6.7%	7.6%
<b>General Fund</b>			
Year end net exposure to variable rates	319.6	532.0	534.4
Closing General Fund net loan debt	2,165.5	2,329.7	2,400.6
Variable exposure % of debt	14.8%	22.8%	22.3%
Average variable interest rate assumption provided for in the budget	0.8%	2.0%	2.8%

- 7.4 The variable rate exposure means that a 1% rise in variable rates at the end of 2015/16 would cost an estimated £3.2m per annum for the General Fund, and £0.4m per annum for the HRA. However the budget provides for an increase in variable rates (as indicated above) which is considered to be prudent in this context.
- 7.5 The Policy Statement sets limits for exposure to variable rates of -30% (maximum net investments) to +30% (maximum net borrowing). These figures show that variable rate exposure is forecast to remain well within these limits for the next three years, even if no further long-term fixed rate borrowing is taken.
- 7.6 This strategy therefore acknowledges the risk that maintaining a significant short term and variable rate loan debt may result in increasing borrowing costs in the longer term, but balances this against the savings arising from cheaper variable interest rates. The Director of Finance will keep the strategy under close review during the year, in the light of the City Council's financial position and the outlook for interest rates.
- 7.7 The Treasury Management Strategy must be flexible to adapt to changing risks and circumstances. The strategy will be kept under review by the Director of Finance in accordance with treasury management delegations.

## **8. Treasury Management revenue budget**

- 8.1 Based on this strategy the proposed budget figures are as follows:

**Table 1.8.6 - Treasury Management Budget**

	2015/16 forecast £'m	2016/17 forecast £'m	2017/18 forecast £'m
Net interest costs	161.4	165.3	170.7
Revenue charge for debt repayment	123.1	126.3	142.1
Other charges	7.4	4.3	4.0
<b>Total</b>	<b>291.9</b>	<b>295.9</b>	<b>316.8</b>
met by the HRA	66.6	54.9	62.8
met by other service budgets	102.1	96.6	102.7
met by corporate treasury budget	123.2	144.4	151.3
<b>Total</b>	<b>291.9</b>	<b>295.9</b>	<b>316.8</b>

8.2 The increase in budgeted costs reflects the projected increase in short term interest rates, long term interest rates, and the cost of the additional borrowing in this Business Plan. Actual interest costs will be affected not only by future interest rates, but also by the City Council's cash flows, the level of its revenue reserves and provisions, and any debt restructuring.

## 9. Investments

9.1 Since the banking crisis in 2008, the City Council's approach has been to reduce direct lending to banks and to increase use of the AAA rated Sterling money market funds which are approved in the Investment Policy. These pooled funds are able to reduce credit risks in a way the City Council cannot do independently, by accessing top quality financial institutions and spreading the risk more widely.

9.2 Within the overall Investment Policy, the City Council has generally used a more restricted list of banks since the financial market turmoil of 2008. This has enabled the City Council to adjust investment strategy to take account of the rapid developments in market conditions, including greater use of Sterling-denominated Money Market Funds rather than direct investments in single institutions. As the banking crisis has abated, more use has been made of direct lending to financial institutions. As market conditions continue to change during 2015/16, investment strategy will be kept under review and adjusted accordingly.

9.3 Significant changes in banking regulation are taking place to address some of the issues arising from the banking crisis, and unsecured lenders will be more exposed to losses from bank failure under EU and UK 'bail in' rules. The Council will seek to use secured forms of lending such as covered bonds and repo agreements, but these instruments are not generally available for short term and smaller size deposits. In this context, the Council's has reviewed its Investment Policy set out in the Treasury

Management Policy at Appendix 4G paragraphs 4.5 to 4.12. The revised Investment Policy continues to require a minimum credit rating which remains within 'investment grade' ratings.

## **10. Other Treasury Management exposures**

10.1 The City Council has been, and is currently guaranteeing the repayments due on the NEC (Developments) loan outstanding of £73m, due in 2027. Upon completion of the NEC disposal, the City Council will be directly responsible for funding the NEC (Developments) loan, which will be represented as a liability on the City Council's balance sheet (formerly the liability was included in the Council's Group balance sheet). The cost of interest and loan repayment is taken into account in this Business Plan.

## **11. Advisers**

11.1 Capita Asset Services provides treasury management advice to the City Council, including the provision of credit rating information. Advisers are a useful support in view of the size of the transactions involved and the pressures on staff time.

## **12. Prudential Indicators for Treasury Management**

12.1 The City Council is required under the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance in Local Authorities to set various Prudential Indicators for treasury management. These are presented in Appendix 4D.



## **PART 2 EMPLOYEES**

### **2.1 Introduction**

Our council is changing fast and our workforce must change as well.

With this in mind, the Leader and the Chief Executive have listened to our partners, stakeholders, its inspectors and employees and have heard a number of very clear messages regarding our future. As a result, we are developing a new workforce strategy in conjunction with Directorates and partners based on four themes: values, purpose, people and pathways.

### **2.2 A values-led organisation**

These are the values that have emerged from conversations with our employees and will underpin all we do:

1. **Putting Residents First** – this is what public service is all about and demands that everyone in the council is in agreement. Complementing this commitment is the need to demonstrate empathy and respect in everything we do.
2. **Acting Courageously** – we want an organisation where leaders lead and managers manage every day of the week. It is not enough to say that these are challenging times: we need to tackle proactively and positively the difficult issues.
3. **Being True To Our Word** – time and again our residents tell us that when we make a promise we should keep it. This value links directly to the development of the ‘Birmingham Promise’ which sets out the standards of service to be expected from key service areas.
4. **Achieving Excellence** – there is no substitute for high performance and, as an organisation, we will strive to achieve this.

### **2.3 A purpose-led organisation**

It is to be expected that, if the premier value that we should exhibit is ‘putting residents first’, then the fundamental purpose of the council’s workforce has to be:

**‘Making a positive difference every day to people’s lives!’**

The reason people should come to work at the council, first and foremost, is to serve the public and have maximum impact on the critical outcomes that will do most to improve our residents’ wellbeing. In order to achieve this, we need to understand the needs of the people of the city in order that the right outcomes are identified for maximum improvement.

In addition to this simple but powerful statement of purpose, we will have a strong focus on taking a whole city approach, reinforcing the point that partnerships are critical to having a ‘value-added’ impact on outcomes.

## 2.4 People

The staff engagement events have come up with one consistent message about the kind of people we want to work for Birmingham City Council. That is, ones who are signed up to and will ‘live’ the values and purpose of the organisation.

There are, of course, other important characteristics such as a willingness and ability to be flexible, innovative and with a relevant skill set, but if the council is to be true to itself then, in future, its staff and councillors needed to be fully signed up to the values and purpose.

## 2.5 Pathways

Our new workforce strategy, ‘Forward ... The Birmingham Way’, is being defined jointly with Directorates and partners and will define the pathways to achieve the council’s vision and purpose. This will include ensuring that we effectively manage the workforce reductions arising from the budget savings.



### **2.5.1 The employee journey**

We aim to develop a motivated workforce who put citizens first, understand and meet their needs. Our workforce will demonstrate our values and behaviours, perform well and the council will focus on retaining and developing employees with potential at all levels.

We will achieve this through:

- Clearly defined roles for leaders and managers supported by a structured development programme
- Defined offers and asks so that all employees understand clearly what is expected of them and how we will support them in return
- Fundamentally different talent management, performance and development frameworks

### **2.5.2 Reshaping the workforce**

We will ensure that we have a fit for future workforce with the right people doing the right things in the right way. We will be inclusive, flexible and focused on key priorities. We will be enabling and effective partners working across organisations to improve outcomes for the City and our citizens.

We will achieve this through:

- Redesigning our organisation, roles, their purpose and the skills required
- Defining a new employment model that includes a variety of delivery vehicles
- Reviewing our pay and reward strategy and our terms and conditions
- A re-launch of our graduate and apprenticeships programmes

### **2.5.3 Resizing the workforce**

Having understood the council's key priorities and the available budget, redesigned the organisation model and the values, behaviours, skills and roles of our employees, we will develop a new selection approach that ensures we retain the right number of the right people in the right roles.

We will achieve this through:

- A revised selection approach and framework
- Proactive mitigation support and career transition

#### **2.5.4 Managing change well**

We will enable a culture where we manage change effectively and focused on improvement for citizens.

We will achieve this through:

- Establishing an agreed methodology and framework for delivering change across the council
- An ongoing programme of learning and support to ensure that all understand and use the approach in their roles every day.

#### **2.5.5 Reducing the size of the council's workforce**

As outlined above, we are taking a different approach to resizing the council. We are moving to an approach that develops a clear vision for the future and focuses on retaining the right people for the Future Council.

The council is likely to reduce the workforce by approximately 1,000 full time equivalent employees during 2015/16. We are putting in place a programme to enable employees to make proactive choices about their future. This includes support for employees who will be leaving the Council including developing the skills that will help them find new work as well as proactive access to jobs with partners and organisations across the City. Where employees' jobs are reducing and they do not want to opt in to the Future Council, then there will be the opportunity to apply for voluntary redundancy.

We are seeking to ensure a positive and supportive environment for all employees affected by change including where compulsory redundancy cannot be avoided. We aim to ensure that all affected employees feel well informed and supported.

## **PART 3      PROPERTY AND OTHER PHYSICAL ASSETS STRATEGY**

### **3.1      Introduction**

Property plays a significant part in the successful delivery of the City Council's Business Plan. The right type of property, in the right place is essential to deliver the council's services, along with the necessary staff and technology. It is an expensive resource, being the biggest cost after staffing. As such it must be managed corporately alongside the other key resources, people, IT facilities and infrastructure and finance within an integrated strategic planning framework.

The following sections outline the City Council's overall strategy for property and other assets. Appendix 4 summarises the asset and capital strategies of major service areas.

### **3.2      General strategic aims**

In recent years a significant proportion of the council's property assets have been progressively changed to support the council's Business Plan. This has enabled the delivery of substantial change in the way the council operates, its staff work and the delivery of services. Along with the delivery of changes, the sale of surplus property has contributed capital receipts, lowered ongoing property costs and reduced the environmental impact, in the context of legislative requirements for local authorities as property landlords.

Looking forward, the council will continue to take a strategic approach to planning future property requirements. The City Council's strategic objectives in relation to its property and other long term physical assets include:

- To ensure that assets are fit for purpose in terms of suitability, sufficiency, condition, cost, environmental impact and affordability;
- To keep the City Council's portfolio of capital assets under review and managed according to best practice through the Asset Management Planning process, including the rationalisation of property holdings where appropriate;
- To take an integrated approach to all aspects of property planning and management, taking account of whole lifecycle implications;
- To deliver value for money from any investment in the retained estate;
- To utilise the optimum property in accordance with the City Council's strategic objectives and service delivery plans.

The need to respond to changing service delivery needs and the council's changing financial position will require further substantial change in the future asset portfolio. The development of new models of service delivery brings challenge to previous arrangements.

General themes include:

- Potential for co-location/integration of council and partners' front line services into multi-service buildings, providing one point of access for customers. This will allow limited financial resources to be directed to a smaller number of better maintained and improved buildings.
- Increased joint working with other public sector partners and third sector organisations to share buildings and provide a wide range of services to people from one building.
- The empowerment of third sector organisations to take on the delivery of City Council services (and potentially their delivery point) for example through the Standing Up For Birmingham initiative.
- Flexible accommodation, the potential to fully utilise space – ensuring space in buildings is fully utilised at all times and capable of alternative utilisation at minimal cost.
- Increased sale or other strategic release of assets to achieve council objectives and provide funding for its expenditure commitments.
- New service models which are less capital, revenue and asset intensive.

The overall strategic aims for the non-operational assets (commercial investment property portfolio) are:

- To review the estate and maintain income generation whilst rationalising and disposing of non performing and surplus property assets;
- To invest as far as possible to maintain or enhance income levels.

### 3.3 Current asset portfolio and context

The Properties and other physical assets held by the City Council include:

<b>Property Type</b>
Adult Education Centres
Allotments (leisure gardens and small holdings)
Car Parks including Multi-storey
Cemeteries
Cemetery & Crematorium
Central Administration Buildings (CABs)
Children's Centres
Children & Family Residential homes
Church Yards
Community Centres / Halls
Community Day Nurseries
Council dwellings
Day Centres – elderly and learning disability
Depots
Education Establishments (schools)
Environmental Residential Centres
Golf Courses
Leisure Centres including sports halls and pools
Libraries
Markets
Museums & Arts (held in trust)
Offices
Parks (including public open space, play areas and recreation grounds)
Roads (in km) (managed via PFI)
Youth Centres
Youth Offending Team Properties
Commercial Portfolio (Let to third parties)
Land and buildings held for charitable purposes

The council's property portfolio is fairly representative of most councils' portfolios, comprising a mix of service delivery properties and properties let to third parties. The majority of ownership is within the city boundaries but there is notable ownership beyond the boundaries into neighbouring authorities including Solihull, Bromsgrove and Warwickshire. The full extent of BCC ownership represents circa 40 per cent of the city by land area.

Resources are constrained, and Services have to make hard choices on expenditure. Future service delivery models will have implications for the assets needed to support those services, and this is reflected in the current draft review of the City Council's Asset Management Plans.

Facilities management costs, backlog condition and energy efficiency in conjunction with other service related factors are all expected to guide investment and disinvestment decisions. Capital resources for asset maintenance are limited, but the council has introduced policies around whole life costing to protect the investment in new build by ensuring resources are provided for cyclical maintenance of new assets. Efficiencies are being delivered from the ongoing management improvements in Facilities Management, in terms of both costs and service delivery. This will help services to manage constrained revenue budgets in terms of the property that they use.

### **3.4 Overall property and asset strategy**

#### **3.4.1 Supporting council strategic outcomes**

Property and other physical assets form part of the City Council's corporate resources. As such the council will review and manage them on a corporate basis in accordance with its overall Business Plan strategic outcomes and principles.

#### **3.4.2 Supporting service plans**

Asset Management Plans are now being more closely aligned with Service Plans. These not only take account of service based delivery changes, but look for innovation in the way services are delivered, coupled with synergy across council service areas and partners taking into account the financial pressures which the council faces. Most recently, the Place Directorate has established the LoCAL Programme to redesign future delivery of local services and identify potential for innovative property solutions. The LoCAL Programme Board is, chaired by the Deputy Leader, to act as a single location for these decisions to be made.

In general Asset Management challenges are increasing and significant effort is being applied across the council, looking at innovative ways of delivering services, across all directorates and with public sector partners. The future years' financial pressures are, inevitably, leading to harsher challenges relating to the affordability of the existing property estate.

#### **3.4.3 Service rationalisation and asset management planning**

Most services have undergone substantial service reviews during recent years and their service asset management plans have been updated as a result. Those plans are directly attributable back to the service delivery plans driven by the service's future operating models (FOMs). The outcomes of those plans are highlighted in the service capital strategies but in the main continue to demonstrate the investment required by their property portfolio to meet the needs of the service, for example in simply tackling issues of condition, modernisation to meet corporate and national initiatives.

However, with the projections of further reductions in central government funding these plans are subject to further ongoing review and redesign. The ability of services to disinvest is hampered by the current state of the market, both in terms of values and demand.



However the disposal strategy reinforces the linkages between service planning and asset rationalisation, with an imperative to also reduce the revenue running costs of the property base (of which closure/disposal is one vital tool).

The use of shared service buildings is a developing and innovative approach that is becoming an increasingly important area of work for the future. Pilot examples now in place include Sparkbrook Community and Health Centre (joint project with NHS delivered through LIFT Co providing a range of City Council and Health services as well as third sector services) and The Shard (providing new council services as well as space for third sector agencies and public sector partners). A number of service areas are looking further such proposals on a variety of scales. The flexibility of the space to enable alternative use and capability of the space to achieve shared occupation across services and including third party occupation is seen as the standard to achieve.

#### **3.4.4 Strategic use of assets**

The council will use its assets strategically to support service realignment as appropriate. For example, a range of property has been transferred to different services to support Birmingham Municipal Housing Trust. The council will use its assets appropriately in support of major regeneration projects, for example HS2, Paradise Circus and Icknield Port Loop.

Birmingham has been selected as one of 20 councils in England to take part in the second phase of the One Public Estate (OPE) programme.

The programme, delivered by Cabinet Office Government Property Unit in partnership with the Local Government Association is designed to facilitate and enable local authorities to work successfully with central government and local partners on public property and land issues through sharing and collaboration.

A Birmingham Property Transformation Board has been established to bring together public sector partners to identify opportunities for co-location, improved service delivery and reduced running costs through a range of OPE projects.

#### **3.4.5 Supporting community involvement**

The council has in place a Community Asset Transfer protocol and process, which satisfies the requirements in the Localism Act and deals with all proposals from external community organisations seeking a community transfer of council or other owned property. Associated with the Localism Act there is now a 'community right to bid' for property, which whilst it does not compel the council to sell or sell at lower than market value, it does mean that once registered, properties will be subject to the legislative minimum disposal timetable. The legislation now clarifies how the council can proceed regarding the opportunity to dispose of assets of community value and support Third Sector Organisations through the granting of leases that take into account the value of the worth that the organisation brings to the city.

### **3.4.6 Green issues**

The council is developing its carbon strategies and energy management strategies. In the development of its new Corporate Administrative Buildings estate (CAB) the council targeted an 'excellent' BREEAM standard for new buildings (achieved at 10, Woodcock Street Offices), and 'very good' for the major refurbished estate (achieved at both Lifford House and 1 Lancaster Circus). Further standards for the corporate estate are anticipated to be developed with the emerging energy conservation and carbon reduction plans.

Energy conservation is having and will continue to have an impact on services and property going forward. The council has drafted its Carbon Management Plan and is signed up to its carbon reduction commitment.

Energy bills have risen substantially over the past few years driven by external world factors and there is no view that these will drop back on an ongoing basis. Even in the recent recession where demand for energy has been weak worldwide those prices have not reduced by any significant amount or for any sustained period. The view is more that as energy supplies get tighter and energy sources become scarcer demand will outstrip supply and prices will continue to rise as a result.

This places a greater emphasis on needing to put in place appropriate measures to contain such budgetary pressures. Such measures can include Combined Heat and Power (CHP) plants, photo-voltaic panels, voltage optimisation, automatic half hour meter readings, biomass boilers, automated lighting, occupier behavioural change, disinvestment from inefficient property and energy performance measurement and comparison. The City Council's procurement practice seeks to develop an integrated approach to energy management, energy supply, energy consumption, contract compliance and property data. Where such measures will not be cost effective the service will be encouraged to disinvest and dispose of properties.

### **3.4.7 Health and safety**

The council has responsibility for the health and safety requirements in its estate, including fire risk, asbestos management, legionella, and statutory testing and maintenance compliance. The council has required that every property will have a nominated duty-holder to fulfil the function of managing that health and safety responsibility. This requirement has necessitated the alignment of property data with the duty-holders and to coordinate this information with Corporate Health and Safety to ensure that appropriate duty-holder training is provided to meet the council's health and safety requirements.

The corporate database system identifies the duty-holders, and their training is undertaken via an electronic training package through People Solutions. The same database is being populated with data to ensure audit compliance across the various issues of asbestos, legionella, fire risk assessments, safety management etc. Further work has been undertaken to ensure that each City Council property has a programme of statutory testing/maintenance that is appropriate for the building's purpose / components.

### **3.4.8 Equalities issues**

Equality issues around property mainly focus on access to services. The responsibility rests with the service to ensure that it has considered such equality issues and sought to put in place reasonable adjustments to ensure that they do not discriminate in the delivery of their services. A corporate fund (The Corporate Access Budget) exists to support services in funding their costs under the Equalities Act 2010. In the event of a property being withdrawn from service delivery it is the service's responsibility to ensure the future service provision has addressed equalities issues.

### **3.4.9 Asset management plan**

The City Council maintains an Asset Management Plan (AMP) which is currently under review for the 2015-18 period and which describes in more detail the current position for the management of property assets, examines influences for change across the council whether driven by government or the council, and makes recommendations for action. Beneath this sits a number of Service Asset Management Plans that feed into the Corporate Asset Management Plan but reflect the assets, their futures and investment requirements in more detail at a local level.

### **3.4.10 Facilities management**

The Corporate Landlord model has been adopted for the transformed Corporate Administrative Buildings (CAB) portfolio. This provides a centrally focused team to manage the CAB estate.

Following the establishment of Acivico (a City Council wholly owned company), associated changes are progressing the standardisation of facilities management services for the corporate estate. The corporate estate (i.e. excluding, housing, education and highways) now manages its facilities management through a centralised computer system (CAFM) using proprietary off the shelf software, coordinated with Acivico, to enable both tactical and strategic facilities management oversight, including costs, service and performance. This move is expected to deliver improvements in the quality of information within the property information systems together with rigorous standards and performance KPIs being set to ensure corporate compliance with health and safety issues.

## **PART 4 INFORMATION AND COMMUNICATIONS TECHNOLOGY**

### **4.1 Overview and strategy**

The council's information and communications (ICT) strategy has entered a phase of radical change and improvement. Following extensive negotiations with Capita the council has agreed a new commercial arrangement for the management of the Joint Venture Company, Service Birmingham. This has led to substantial savings in the contract's remaining six years and initiation of an ICT Improvement Programme. This improvement programme will challenge the way ICT is used, seek to remove duplication and examine the scope of the service to ensure it is adequate and not over specified.

ICT will be used as a key enabler and innovator to provide the council with an effective, efficient and reliable set of services that supports the achievements of the business plan. To support this role as a support service and innovator the council will take a planned approach to managing its existing ICT landscape and is planning its future ICT requirements based on service needs through an ICT investment strategy. A plan to fund the investment needs of the infrastructure and main applications has been created for delivery over the coming years, beyond the end of the contract in six years. The plan recognises that continual investment is required in ICT and reflects the anticipated change in size and nature of the council. It will not place additional financial pressure on the budget as it uses the fall-out from the current budget where revenue charges for capital payments are ending.

A new strategy will be developed that takes account of the changing shape and demands of the council: greater collaboration with other public, private and third sector partners either through commissioning, arm's length organisation or collaboration.

The key objectives of this strategy include:

- To make informed decisions on the procurement of new systems and services taking into account how ICT will benefit citizens, reduce the administrative burden for front line staff and provide more effective manager and staff self service
- To have a governance process that ensures consistency, coherence and value for money whilst ensuring accessibility and longevity
- To have increased transparency of spend and performance information
- To develop and plan resources and skills for the retendering of the ICT contract
- To provide a rolling three to seven year investment plan for ICT infrastructure and corporate and directorate applications which are included within the council's Long Tern Financial Strategy
- To develop and manage relationships with the council's major ICT suppliers
- To maintain a set of applications which provide flexible, reusable, integrated application services

- To provide system integration and information exchange with new service delivery bodies
- To have a consistent, comprehensive and secure approach to creating, storing and using knowledge, information and data
- To have an innovative approach to IS/IT and information services including exploitation of mobile technologies as a delivery channel and as an enabler for internal agility and flexibility

#### **4.2 Governance**

New ICT proposals will be subjected to increased scrutiny to ensure they are aligned to the overall Business Plan, to achieve improved economies of scale and have clear financial and or service benefits. The established ICT Programme Board will have oversight of all ICT strategy, associated initiatives, and ICT innovations and savings.

All Directorates will be supported to develop individual ICT strategies focusing on ensuring that service needs are met and future business plan objectives are delivered through directorate ICT Strategy Groups which will provide greater planning and oversight. Directorate ICT Operational groups will drive increased ICT performance and compliance to processes. Greater ownership and visibility of the ICT landscape and applications will be supported and developed.

#### **4.3 Partnership**

The council's partnership with Capita ends in 2021. The remaining years of the contract will take into account the council's need to find savings, the outcomes of the Scrutiny Review looking at partnership working and the council's ICT investment Strategy.

## **PART 5 COMMISSIONING, PROCUREMENT AND CONTRACT MANAGEMENT**

### **5.1 Effective commissioning**

To maintain delivery of effective front line services and recognising the financial challenges, we are increasing the focus on defining the commissioning outcomes and on reviewing appropriate service delivery options.

The key objectives to support compliance to this approach are:

- Embedding a Commissioning approach to delivering services across directorates.
- Application of the Commissioning toolkit to support service re-design, options appraisals, devolution and implementation of new approaches to achieving citizen outcomes.
- Resolving issues for the residual council in the light of services spinning out or being delivered by third parties.
- Enabling the council's support service functions to operate effectively in the light of a planned workforce reduction from 13,000 to 7,000 employees.
- Further developing Commissioning & Contract Management Centres of Excellence to deliver benefits.
- Development of commissioning, contract management and commercial skills.

### **5.2 Governance and efficient processes**

Procurement governance exists to ensure value is delivered in a manner that is compliant to Standing Orders and legislative requirements and is open, transparent and as efficient as possible. The drive for greater efficiency and effectiveness in the procurement and contract management processes will continue through:

- Improving Procurement Governance Arrangements including BCC training.
- Ensuring compliance to procurement policies and procedures which reduce non contract spend and maximise procurement opportunities to local organisations and small and medium-sized enterprises (SME).
- Systems improvements to gain efficiencies including P2P and document management systems, SAP Supplier Relationship and procurement modules.
- Embedding application of the contract management toolkit through the Centres of Excellence.

- To implement council-wide training on Procurement Governance, Social Value and Legal issues as they relate to commissioning, procurement and contract management. The aims being to raise awareness of legislative and governance changes, to improve the quality of reports and the effectiveness of projects and contracts.

### **5.3 Delivering social value**

The Birmingham Business Charter for Social Responsibility (BBC4SR) was approved by Cabinet on 22 April 2013. Cabinet also approved the Living Wage Policy and Social Value Policy which set out how the City Council would meet the requirements of the Public Services (Social Value) Act 2012.

The Act requires commissioners and procurers at the pre-procurement stage to consider how what is to be procured may improve social, environmental and economic well-being of the relevant area, how they might secure any such improvement and whether to consult on these issues.

While the Act only requires relevant authorities to consider social value in service contracts (and goods or works contracts where there is a service element) above a prescribed financial threshold, the council's Social Value Policy seeks to secure social value outcomes from its commissioning activities:

1. With all providers
2. For services, works and goods, and
3. For all contract values

The key objectives to support this approach are:

- Review of the Social Value Policy, Living Wage Policy and Birmingham Business Charter for Social Responsibility to reflect experience and learning gained from the implementation to date.
- To launch a Social Value Toolkit which guides commissioners, procurers and contract managers on the inclusion of social value and application of the BBC4SR throughout the 4 stages of the commissioning process.
- That procedures for evaluating quotations and tenders enable social value to be considered in a consistent and proportionate manner.
- To standardise and simplify the capture and evaluation of organisations' action plans such that they are relevant and specific to deliver required outcomes.
- To develop corporate IT systems that enable improved performance monitoring throughout the contract.
- To increase the number of organisations being accredited to the BBC4SR and build greater capacity to support the process.

- Publish an Annual Assurance Statement to summarise the progress and social value achievements throughout the year.
- Develop the council's own Social Value Action Plan demonstrating compliance to the principles of the Birmingham Business Charter for Social Responsibility.

Co-ordination of the above will be through the Corporate Commissioning Board to agree the approach, monitor implementation & receive performance feedback. Directorates will be supported through the Centres of Excellence to develop training plans ensuring greater awareness and understanding of the policies, systems and procedures.



## **PART 6 PERFORMANCE MANAGEMENT FRAMEWORK**

### **6.1 Introduction**

Birmingham's Performance Management Framework drives the achievement of our key outcomes for Birmingham people. It outlines:

- What the council intends to achieve (with partners and other stakeholders).
- How will measure progress in achieving these.
- The performance management arrangements to make sure we deliver.

During the coming year we will be reviewing the performance management framework to align it with the new Birmingham Plan which is being developed with our partners and with our new simplified planning framework (See Business Plan and Summary Budget, page 19).

### **6.2 Current performance framework**

The current performance framework consists of several elements:

- City Measures: measuring the achievement of the key strategic medium and longer-term outcome measures with partners.
- The Leader's Policy Statement Milestones (LPS): setting out timelines for our major actions to deliver the LPS outcomes over the year.
- Council Business Plan Measures: measuring achievement of the key outcomes the council has set itself to deliver over the next year.
- The Birmingham Promise – measuring achievement of agreed service standards for citizens.
- Organisational Performance – measuring how well the council itself is functioning.

These are monitored as follows:

- City Measures and LPS milestones – reported to cabinet members and senior officers quarterly as results become available.
- Council Business Plan Measures – reported quarterly to Cabinet meetings on an exception basis (i.e. where performance is exceeding or missing the target set).
- Birmingham Promise and Organisational Performance - reported monthly to the Deputy Leader and senior managers, including a balanced 'scorecard' covering performance in the areas of customer service, service delivery, finance, and staff..

Further details are set out in Annexe 1 below.

Our processes and standards for deciding performance measures aim to ensure that they:

- Are robust and quality assured;
- Have received Cabinet Member approval;
- Have challenging, but realistic, targets as per corporate guidance;
- Are available on the Strategic Performance Management System, and
- Are available for regular monitoring (that is, monthly or as frequently as is practicably possible).

**Annexe 1 Performance Measures 2015/16**

A Fair City		A Prosperous City		A Democratic City	
Children and Young People		A Green and Sustainable City		A New Model of City Governance	
Health and Wellbeing		Enterprise City		Engagement, Influence and Contribution	
Tackling Poverty		Infrastructure, Development and Smart City		Modern Services that Serve Our Citizens	
Safety		Learning, Skills and Local Employment			
		Regional Capital and Reputation			

<b>A Fair City - Children and Young People</b>	
<b><i>Children are protected and young people are able to access opportunities regardless of background or special needs.</i></b>	
<b>Council Business Plan</b>	<b>City Measures</b>
Referrals that are re-referrals within 12 months	Care Leavers - Qualifications
Children subject of a child protection (CP) plan for a second or subsequent time	Care Leavers - Employment position
Percentage of children in care (CIC) who participate in their reviews	Care Leavers - Housing Position
Percentage of CIC/ children in need/CP case files judged good or better (via team manager audits)	
Average length of care proceedings	
Special Educational Need - Education Health and Care Plans	
Number of outcomes for Birmingham's cohort of troubled families achieved	
Average length of time from admission to care to being placed for adoption (1 year rolling average)	
Recruitment of adopters-initial enquiry to adopter approval at panel	
Percentage of Family Common Assessment Framework reviews where the needs identified and desired outcomes for child and family are achieved	
Empty posts as a percentage of established front-line children's social workers	

<b>A Fair City - Health and Wellbeing</b>	
<b><i>Health and wellbeing, housing quality and life expectancy are at national levels for all.</i></b>	
<b>Council Business Plan</b>	<b>City Measures</b>
Number of drug users in full time employment 10 working days post discharge	Premature Death Rate
Number of cases where homelessness is prevented	Levels of Homelessness
Younger adults from residential to community settings	Levels of Childhood Obesity
Delayed transfer of care from hospital per 100K population	

<b>A Fair City - Tackling Poverty</b>	
<b><i>Poverty amongst children and families is down to national averages – Birmingham has an ethical approach as a “living wage city” and no social groups or local areas are blighted by extreme levels of unemployment and low incomes.</i></b>	
<b>Council Business Plan</b>	<b>City Measures</b>
None	Levels of Childhood Poverty
	Households with low incomes

<b>A Fair City - Safety</b>	
<b><i>People are safe, especially the most vulnerable – from crime, violence and abuse</i></b>	
<b>Council Business Plan</b>	<b>City Measures</b>
Number of people killed/seriously injured in road traffic accidents	Feeling of safety outside in the local area during the day
Timeliness safeguarding case conferences	Feeling of safety outside in the local area after dark
Percentage of completed safeguarding cases audited judged good	
Percentage of care home providers rated as poor using the provider quality framework	

<b>A Prosperous City - A Green and Sustainable City</b>	
<b><i>Birmingham is more environmentally sustainable, with higher levels of recycling, lower energy use and cleaner neighbourhoods. There is a thriving green economy.</i></b>	
<b>Council Business Plan</b>	<b>City Measures</b>
City Council's energy consumption - reducing our carbon emissions (including emissions for highways )	Energy use in Birmingham - reducing our carbon emissions
Land and Highways with unacceptable levels of litter	
Land and Highways with unacceptable levels of graffiti	
Residual household waste per household	
Household waste reused, recycled and composted	
Municipal waste landfilled	

<b>A Prosperous City - Enterprise City</b>	
<b><i>The economy is growing, business start ups are the highest in the core cities and good jobs are being created.</i></b>	
<b>Council Business Plan</b>	<b>City Measures</b>
Number of young people in work through Employment Support Activity	Net new business start ups
Jobs created through public sector intervention	Gross Value added in Birmingham economy

<b>A Prosperous City - Infrastructure, development and Smart City</b>	
<b><i>There is a sufficient, affordable and low energy use housing supply to meet needs, provision for employment land and high levels of investment in transport and other infrastructure, including cycling and walking, digital technologies and district energy systems.</i></b>	
<b>Council Business Plan</b>	<b>City Measures</b>
Percentage of homes built that were 'affordable' homes	Percentage of planned new homes built- Annual result
Number of empty properties brought back into use	

<b>A Prosperous City - Learning, Skills and local employment</b>	
<i>People have the qualifications they need for work, including school leavers and the working age population.</i>	
Council Business Plan	City Measures
Percentage of Year 12 to 14 pupils not in education, employment or training	Adults with no qualifications
Percentage of Care leavers in employment, education and training (year-to-date)	School leavers with 5+ A*-C GCSE's
Outcome of school inspections - percentage of Ofsted reports issued in the period rated good or better	Number of wards with long term unemployment above a given level
<b>A Prosperous City - Regional Capital and Reputation</b>	
<i>The city fulfils its role as the regional capital and provides a quality of life that attracts more investors, visitors and also employees.</i>	
Council Business Plan	City Measures
None	None
<b>A Democratic City - A new model of City Governance</b>	
<i>The government of the city will be transformed to match modern needs.</i>	
Council Business Plan	City Measures
None	None
<b>A Democratic City - Engagement Influence and Contribution</b>	
<i>Local people from all backgrounds are engaged in local democracy, and have more influence on local decisions and localised services. Communities and individuals are able to make their contribution to the life of the city and governance is based on openness and transparency.</i>	
Council Business Plan	City Measures
None	Tracker survey - agreement that the respondent can influence local decision making
	Voting in local elections
	Community Cohesion Index
<b>A Democratic City - Modern Services that serve our citizens</b>	
<i>Services work together, make use of new technologies and modern "hub" facilities and are focused on "whole people" and "whole places". Citizens, businesses and agencies can co-create new services.</i>	
Council Business Plan	City Measures
Complaints - responses within 15 working days	None
Average sick days per full-time equivalent member of staff (excluding schools staff)	
Percentage increase in on line transactions	

## PART 7 RISK MANAGEMENT

### 7.1 Council Business Plan 2015+ summary risk register

The council has a well-established approach to managing risk. It has recognised that risk is an integral part of innovation in order to deliver the planned outcomes and the priorities of the council. By managing risk proactively we can take full advantage of opportunities and better use the resources available. Further information regarding our approach to risk management can be found on the council website.

We have applied this approach to the production of this council Business Plan and the following summary risk register has been compiled following an assessment of the Plan. The summary risk register records what risks or issues have been anticipated as potentially having an adverse effect on the council in its delivery of its planned outcomes and priorities. This summary risk register also includes what action is currently being taken by management to prevent, or reduce the likelihood and impact, of such risks or issues occurring. The definitions of likelihood and impact are detailed at the end of the summary risk register.

This summary risk register is supported by the more detailed Corporate Risk Register. This is a public document which is updated three times a year (in March, July and November) and is posted onto the Democracy in Birmingham database accessed via the [www.Birmingham.gov.uk](http://www.Birmingham.gov.uk) website. The corporate risk register focuses on the cross-cutting corporate issues and in turn is supported by directorate risk registers; these cover service specific risks and issues and are used by managers to help deliver services.

Risk / Issue		Council Action	Residual risk	
			Likelihood	Impact
Our Priorities				
1	Need to effectively deploy our resources to meet our legal obligations and priorities	<p>This Plan sets out how we are changing the way we work– some of this will be radically different to the way we provide services now.</p> <p>The Plan sets out a clear vision so that citizens, employees and partner organisations can understand where our resources will be prioritised to meet our legal obligations and priorities.</p> <p>We will robustly monitor progress and build in sound governance.</p>	Medium	High

Risk / Issue		Council Action	Residual risk	
			Likelihood	Impact
2	Need for the effective use of additional resources for children's safeguarding	The council is shifting its profile of spending and has allocated an extra £21.5m to children's services. We are developing our work with partner agencies to provide more effective early support that helps children and young people to stay safe, cared for and protected in their family and community settings. This in turn increases the likelihood that more dangerous situations are identified, with the risks reduced and averted.	Medium	High
3	Need to demonstrate compliance with the requirements of the Equality Act and single equality duty.	<p>Equality Assessment, associated research and consultation is an integral part of all service activities.</p> <p>Consultation both internally and externally takes place.</p> <p>Equality Act (2010) compliance is regularly reviewed and informs all of our decision making processes.</p> <p>Corporate governance and compliance monitoring takes place on a monthly basis. The council has a Cabinet post for Social Cohesion and Equalities and the Cabinet Member ensures that all relevant cabinet reports are scrutinised for equality implications; all cabinet reports are required to include EAs.</p>	Low	High
4	Need to collaborate effectively across public agencies, private sector and Third Sector organisations to achieve key long-term common priorities and deliver cost effective, fit for purpose services.	We were already improving partnership working, for example the Better Care Fund, responding to Third Sector feedback and developing a city-wide Advice Service. Using commissioning skills and monitoring contracts to ensure services are delivered as contracted and quality maintained.	Medium	Significant



Risk / Issue		Council Action	Residual risk	
			Likelihood	Impact
Property and other physical assets plan				
5	Reworded – IT solutions need to support new working methods	<p>We are investing £60m in our ICT, both hardware and software improvements to help meet the needs of a reduced workforce for flexible, agile working solutions, covering our various partnership arrangements and sharing information securely, adhering to data protection requirements.</p> <p>Savings have been achieved in our contract with Service Birmingham.</p>	Low	Medium
Financial Plan				
6	Need to achieve necessary savings	<p>Implementation of savings is subject to rigorous project management, governance arrangements and review and monitoring processes.</p> <p>Service reviews related proposals to the policy priorities.</p>	Medium	Medium
7	Preventing overspending in 2015/16 - budget pressures exceed the amount provided for in the budget.	<p>Known pressures are included within the budget following a corporate and directorate review. All expenditure and income budgets are proactively monitored from the start of each financial year. Early management response where necessary.</p> <p>Some contingency provision is included in the budget.</p>	Medium	Low
8	Potential on-going equal pay and related litigation.	<p>Pay and grading practices with potential equal pay implications being addressed.</p> <p>On-going equal pay claims against the council are being managed.</p> <p>The council is pursuing a range of options to generate the necessary level of resources to fund Equal Pay settlements.</p>	Significant	High

Risk / Issue		Council Action	Residual risk	
			Likelihood	Impact
9	Changes in Funding regimes or amounts of government grants	<p>Known changes have been reflected in directorate budgets. Funding opportunities are being maximised wherever possible.</p> <p>The response to changes in specific funding regimes will be planned when more information becomes available.</p>	Medium	Significant
10	Security of investments and liquidity	Risk management arrangements are set out in the Treasury Management Strategy and Policy.	Low	High
11	Minimising borrowing cost increases	Our borrowing strategy is set out in in this plan. Debt financing costs included in LTFP, projects are subject to rigorous assessment, and most debt is at fixed rates and with staggered maturity profiles.	Low	Low
12	Adequate reserves, balances and contingencies	Resources have been reassigned where appropriate to address pressures and policy priorities. Contingencies have been provided. Reserves have been assessed as being at an acceptable level and a medium-term strategy is in place to build general balances. The budgetary position will be closely monitored.	Medium	Medium
13	Managing the impact of changes in pension arrangements	Continuing increases in contribution levels based on advice from the Pension Fund actuary are built into the Long Term Financial plan. Funding to address the impact of early retirements has been built into financial plans. The next actuarial review will take place as at April 2016, and we are pro-actively engaging with the Pension Fund and securing suitable advice.	Medium	Significant

Risk / Issue		Council Action	Residual risk	
			Likelihood	Impact
<b>Employees</b>				
14	Retention of knowledge, experience and capacity across the organisation as the workforce is down-sized	<p>Our workforce strategy is being further developed and additional resource is being applied with the appointment of a new Interim Director who has a clear mandate to focus on this area in order to ensure we have clarity on roles and skills required to deliver future services and the associated downsizing of the council.</p> <p>HR expertise is available to support managers with the scoping, planning and implementation of workforce change initiatives.</p> <p>BCC continues its outplacement and career review schemes.</p>	Significant	High

**Key to above table**

Measures of likelihood:

Description	Example Detail Description
High	Almost certain, is expected to occur in most circumstances. Greater than 80% chance.
Significant	Likely, will probably occur in most circumstances. 50% - 80% chance.
Medium	Possible, might occur at some time. 20% - 50% chance.
Low	Unlikely, but could occur at some time. Less than 20% chance.

Measures of impact:

Description	Example Detail Description
High	Critical impact on the achievement of objectives and overall performance. Critical opportunity to innovate/improve performance missed/wasted. Huge impact on costs and/or reputation. Very difficult to recover from and possibly requiring a long term recovery period.
Significant	Major impact on costs and objectives. Substantial opportunity to innovate/improve performance missed/wasted. Serious impact on output and/or quality and reputation. Medium to long term effect and expensive to recover from.
Medium	Waste of time and resources. Good opportunity to innovate/improve performance missed/wasted. Moderate impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover from.
Low	Minor loss, delay, inconvenience or interruption. Opportunity to innovate/make minor improvements to performance missed/wasted. Short to medium term effect.

## **APPENDIX 1 CONSULTATION ON THE BUDGET PROPOSALS**

### **1.1 The Process**

The corporate consultation on the council's White Paper ran from 10 December 2014 to 12 January 2015. Almost 8,000 people viewed on-line webcast question and answer sessions with cabinet members, over 200 people attended public meetings, we received nearly 1,300 individual responses; we met with 120 business representatives, and over 50 delivery partners and third sector groups. Over 40 people attended a specific disability forum event. Other activity included:

- Open access on line 'Be Heard' survey with 1,108 responses
- 629 comments made through submissions to 'Budget Views' via emails (354), letters (142), texts (117) and social media/other means (16) and two petitions
- A three-hour workshop of 43 members of the Birmingham's People's Panel
- Consultation meeting for voluntary organisations through Third Sector Assembly organised in partnership with Birmingham Voluntary Services Council (BVSC)
- Two webcast question and answer sessions, each lasting two hours, with the Cabinet covering 73 questions and comments and viewed live by 1,735 people, with a further 6,157 views of the archive on the council's website and 20,000 views of the budget web page.
- 26 ideas submitted by 21 people for saving money or raising revenue on the new 'Birmingham Speaks' section of the council's website
- A white board campaign with young people
- Cabinet Member roundtable discussions with Third Sector advice services
- All channels of social media reached almost 254,000 people

The feedback received in the consultation process, together with analyses of the potential impacts of proposals on different equalities groups and the 'impact of cuts' research summarised above, were considered in detail by cabinet members in refining the final proposals for Full Council. Specific proposals will be subject to further user and staff consultation as appropriate. The full consultation report and meeting notes can be found on [www.birmingham.gov.uk/brumbudget15](http://www.birmingham.gov.uk/brumbudget15).

The council undertook initial equality assessments where appropriate on the savings proposals in line with the Public Sector Equality Duty, identifying emerging impacts and possible mitigations. Further details can be found in Appendix 2 (Equalities) of the Budget Report and Resource Plan which accompanies this document.

### **1.2 Consultation feedback – key concerns**

The key concerns expressed in the consultation feedback included:

- Community based support services for people with disabilities and mental health problems
- Children's safeguarding and children and young people services
- Cuts to welfare and advice services
- Reductions in open air sports and play facilities
- The Library of Birmingham and community libraries
- Birmingham Museums Trust (and Art Gallery)

### 1.3 Consultation feedback - our response

The council has thoroughly reviewed all of the responses to the consultation. The full report on the consultation can be found on the budgetviews page of the council's website. In response, we are undertaking the following measures:

- **Services for people with disabilities and mental health problems:** consultees were concerned about these proposals, and in particular the risks of reducing preventative and early intervention services (see above). We have responded to the concerns raised through the consultation by reducing the savings proposal to Third Sector Commissioning by £0.618m and the savings proposal to Supporting People by £0.400m.
- **Home adaptations:** responses on BeHeard (our on-line consultation portal) stressed the importance of the support provided to people in arranging these. In response, we have removed the proposal for cuts to this team.
- **Child protection:** consultees strongly supported our priority of protecting vulnerable children. We are increasing our further investment in these services to £21.5m from 2015/16.
- **Young people and careers:** consultees were concerned about youth unemployment and access to training and education opportunities. We are implementing a new 'youth offer' to ensure that every young person in the city has the opportunity of a job, training or education within four months.
- **Welfare and advice:** consultees emphasised the importance of advice services, particularly given the cuts and complications introduced by central government changes. We are now proposing a lower cut to these services, to give us time to develop a new joint 'advice service offer' with Third Sector partners from the start of 2016
- **Pitches and sports playing fields** – there was concern about plans to reduce city-wide cricket and football pitches and the possibility of unattached school playing fields being sold. With cricket pitches the savings will be achieved through increased fees and charges and contributions from the English Cricket Board, the Birmingham Cricket League and the Football Association

- **Libraries:** there was significant public concern about the proposals around the Library of Birmingham. Whilst the scale of Government cuts means that we do need to reduce substantially the opening hours of this service, we have changed the proposals to mitigate the impacts on specialist collections and to increase support to child literacy compared to the initial proposals. We are proposing to introduce charges for the music service, to enable us to keep some of the specialist staff in this area.
- **Museums:** an online petition and comments in the consultation process emphasised public support for the Birmingham Museums. Whilst the Museum Trust is independent of BCC, we are committed to helping them restructure to enable a financially sustainable future with a one year reduction in proposed cuts to assist with this transformation.
- **Business Improvement Districts:** we recognise the importance of these collaborations with business in local areas, and have amended our proposals to modify the collection charges to BIDs to reduce the cost of administration to those with lower levels of income.
- **Car parks:** there was some concern at public meetings about proposals around disposing of some car parks and starting to charge for parking at some parks. In response we are now introducing more modest charges and planning to phase their introduction.
- **CCTV:** partners including the Police expressed concern about the budget proposals. We have therefore deferred the planned saving in this area whilst we explore the potential for new arrangements with partners.
- **School Crossing Patrols:** In light of late representations, it has been decided not to proceed with this saving.
- **City-region working:** almost all consultation comments supported greater collaboration and the creation of new decision-making structures at a city region level for strategic issues, such as economic development. We are continuing to develop a Combined Authority with partners in the Black Country, Greater Birmingham and elsewhere.

<b>Changes to value of savings proposals since White Paper</b>					
Key	Savings Title	Business Plan Ref	2015/16	2015/16	2015/16
			Saving as per White Paper	Revised saving	Variance
			£m	£m	£m
A	City Centre Management	E13	(0.100)	(0.280)	(0.180)
A	Employment, skills and disability services	E14	(0.494)	(0.388)	0.106
A	Enterprise and Funding Team/LEP	E15	(0.184)	(0.290)	(0.106)
C	Library of Birmingham/Strategic Lib Service	E27	(1.500)	(1.300)	0.200
C	Museums and Heritage Services Reductions	E28	(0.850)	(0.600)	0.250
T	Support to Arts	E29	(0.142)	(0.096)	0.046
A	Development Planning and planning strategy	E31	(0.500)	(0.320)	0.180
T	HRA benefit of savings in Economy Directorate	E37	0.000	0.284	0.284
	<b>Economy</b>		<b>(3.770)</b>	<b>(2.990)</b>	<b>0.780</b>
C	Adaptations Service	PL15	(0.091)	(0.057)	0.034
A	Bereavement Services	PL16	(2.352)	(1.120)	1.232
A	Registrars	PL18	(0.138)	(0.100)	0.038
A	Street Cleansing	Existing	(0.500)	0.000	0.500
C	CCTV	PL31	(0.150)	0.000	0.150
C	On/Off Street Parking Services	PL33	(2.600)	(1.000)	1.600
C	Birmingham Advice Services	PL37	(0.700)	(0.655)	0.045
R	Use of Reserves	PL38	0.000	(2.000)	(2.000)
R	Additional staffing savings to cover CCTV saving	PL39	0.000	(0.150)	(0.150)
C	School Crossing Patrols	PL40 (pt)	(0.229)	0.000	0.229
C	School Crossing Patrols	Existing	(0.368)	0.000	0.368
	<b>Place</b>		<b>(7.128)</b>	<b>(5.082)</b>	<b>2.046</b>
C	Third Sector Commissioning	P17	(1.600)	(0.982)	0.618
C	Supporting People	P20	(0.400)	0.000	0.400
	<b>People</b>		<b>(2.000)</b>	<b>(0.982)</b>	<b>1.018</b>
	<b>Total</b>		<b>(12.898)</b>	<b>(9.054)</b>	<b>3.844</b>
	Changes to existing plans		(0.868)	0.000	0.868
	Changes to new savings proposals		(12.030)	(9.054)	2.976
	<b>Total</b>		<b>(12.898)</b>	<b>(9.054)</b>	<b>3.844</b>
Key					
C	Consultation response				
A	Adjustment to proposal				
T	Technical amendment				
R	Replacement proposal				

## **APPENDIX 2 EQUALITIES**

### **1.1 Introduction**

Birmingham is, outside of London, the UK's most diverse city, made up of a wide range of cultural, faith and ethnic communities. Every neighbourhood in the city has seen the arrival of at least some newcomers from countries that previously were not represented in the city, and this has enriched the lives of the local people and made our neighbourhoods fascinating places to live in. Through this diversity, the city benefits from positive social cohesion which has been achieved through working with all our communities, as well as with our public and private sector partners to address inequalities.

As government funding is reduced year after year it becomes more and more difficult to find savings through efficiencies or 'back office' cuts and we are now at the point where difficult decisions about 'frontline services' can no longer be avoided. Given the nature of our work, and the scale of the cuts, some negative socio-economic impact is also almost inevitable. The question for us as a City Council is how we can minimise and mitigate that impact.

This means we must: (a) put more emphasis on prevention, which is cheaper than cure; (b) reframe the way we do our work so that we join things up from a customer perspective, and reduce duplication; (c) work with others who can do things more effectively and cost effectively than we can ourselves. In our 2015/16 proposals there is clear evidence of these three themes continuing to guide our approach.

The City Council takes account of the potential impacts of its policies and decisions on equalities, social cohesion and social inclusion, through a risk analysis process referred to as Equality Assessment (EA). This ensures that the potential implications of such proposals on those with the 'protected characteristics' covered under the Equality Act 2010 are considered. These protected characteristics include age, disability, gender (including reassignment), pregnancy and maternity, race, religion and belief, and sexual orientation.

### **1.2 Equality Act (2010)**

The Equality Act (2010) requires relevant public bodies, when exercising their functions, to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Act
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it
- Foster good relations between people who share a protected characteristic and people who do not share it

These are commonly known as the three aims of the Public Sector Equality Duty (PSED) imposed by the Act. The council must consciously consider these aims as part of the budget decision making process.



The PSED does not prevent the council from making difficult financial decisions. It does, however, require all decisions to be made in a fair, transparent and accountable way, with full consideration of the needs of different individuals and communities and the potential impact on groups defined by reference to 'protected characteristics'. To the extent that any disproportionate impact on such groups which results from particular proposals cannot be avoided by mitigating actions, these proposals cannot proceed without amendment unless the council decides that their aims are sufficiently important to justify the disproportionate impact, and that such aims cannot reasonably be achieved by means which are less damaging in their impact. Similarly, to the extent that particular proposals are otherwise likely to interfere with the pursuit of equality and/or good relations between persons of different groups defined by reference to relevant characteristics, considerations will have to be given to whether these outcomes are justified by the aims pursued. The analysis which is required in order that these decisions can be made is found in the council's Equality Assessment documentation.

'Having due regard' involves (amongst other things) considering the need to remove or minimise disadvantages between those who share a particular characteristic and those who do not. It requires us to take steps to meet the needs of people from groups defined by reference to protected characteristics, where they are different to those from different groups. We need to encourage those in groups defined by reference to protected characteristics that are under-represented in public life to increase their rates of participation. The PSED also requires the council to tackle prejudice and promote understanding between and across all our communities. The council must consider the equality implications of proposals when making decisions, whilst also having regard to any countervailing factors, which it is reasonable to consider in the relevant circumstances. These factors may include, for example, budgetary pressures, economic and practical factors.

### **1.3 The council's approach to the allocation of cuts**

In recent years, the council has had to make significant budgetary cuts and this remains an ongoing requirement. Previous years' proposed cuts have already been the subject of equality analysis and consultation and the responses and results have been taken into account in decisions made. The proposed budget savings for 2015/16 detailed in the White Paper 'Responding to the challenge, looking to the future: Budget consultation 2015+' had been drawn up taking account of the findings of the Service Reviews (captured in a series of published Green Papers) and the feedback from the public dialogue on these Green Papers.

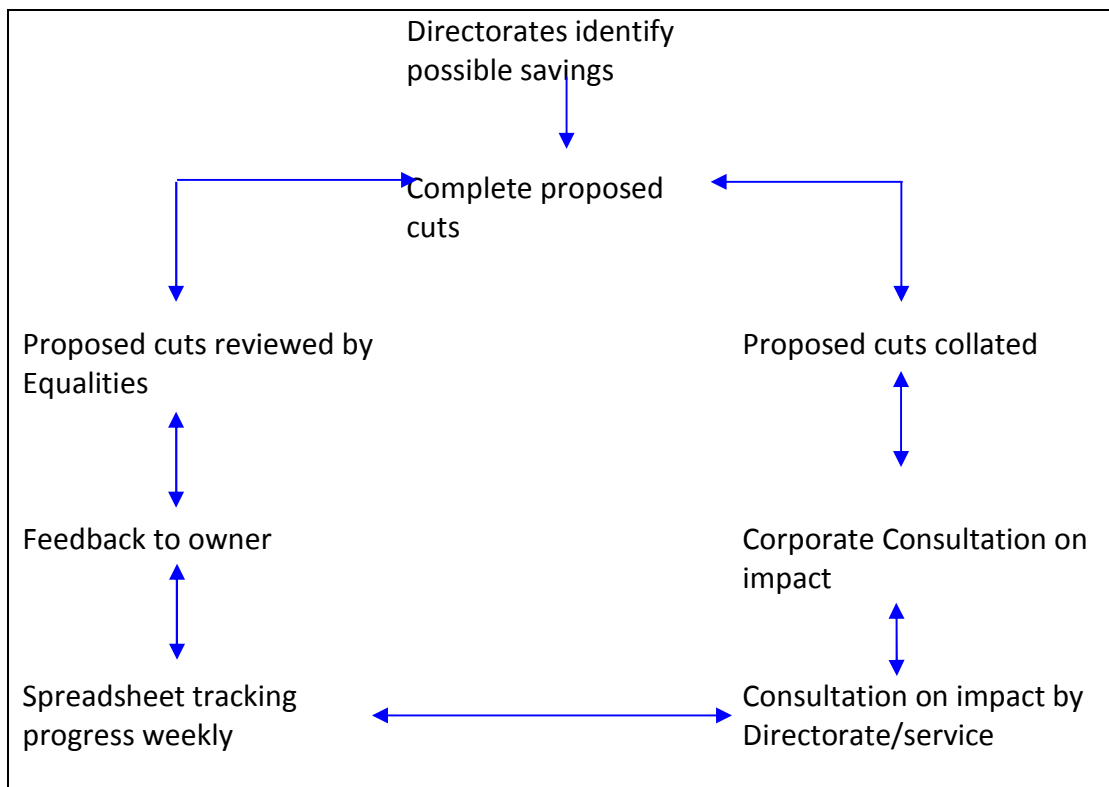
The Equality, Community Safety and Cohesion Service convened a meeting in November 2014 with the Equality Champions of Directorates to review the high-level impact on the proposed savings. Throughout this process consideration was given by Cabinet Members and Officers to the process of the public consultation. Cabinet Members and Chief Officers examined the equalities impacts of the proposed cuts that had been consulted upon, alongside the consultation feedback. This included a high level assessment of potential adverse impacts on communities, and possible mitigations. Consideration was also given throughout the process to the outcomes of the City Council's corporate public consultation; consultation by Directorates at this time was still ongoing. The Assistant Director (Equalities,

Community Safety and Cohesion Service) for the council presented a report on the equalities impacts which together with the outcome of corporate consultations resulted in further re-shaping of our proposals.

The proposed savings determined in accordance with the steps above were considered by Cabinet Members and senior council officers in the context of their policy priorities and legal duties. This has shaped the final proposals in this document with some cuts remaining unchanged, some modified and some no longer being pursued.

#### 1.4 The council’s equality analysis methodology

The Equalities, Community Safety and Cohesion function has maintained a close watch on the progress of the individual proposed cuts from across the council, and the extent to which each has gone through the approved two stage Equality Assessment process. The City Council has taken a robust approach to this round of planning. From an Equalities point of view, the sequence is as follows:



The City Council’s tool for ensuring fairness in decision making – the Equality Analysis Toolkit – has been used during this savings round.

### **1.4.1 The equality assessment process**

This section aims to provide an overview of what our analysis is currently telling us and to highlight emerging themes that may have a wider impact on groups defined by reference to protected characteristics. It also considers how we can use this data to inform the council's further work to promote fairness and reduce socio-economic inequalities.

Initial equality assessment screenings have been carried out, where appropriate, on 2015-16 budget proposals. These have helped the council to identify emerging impacts and have led to more detailed assessments where initial screenings have indicated potential disparate impacts on groups defined by reference to protected characteristics, or other equality concerns. The initial EA screenings look at how individual proposals might relate to one another and consider how a series of proposed changes to services could impact cumulatively on particular groups of people.

EAs are living documents that change and are updated as the equality implications of a decision and any alternative options or proposals are considered. EAs have therefore been developed alongside the budget proposals. They have been drafted by senior management in the appropriate service area of the council with support from the council's specialist equality advisors. EAs have informed the proposals put to Executive Management Team, and have been used to help decision making throughout.

Lead officers for equality and community engagement have reviewed all of these EAs relevant to the budget proposed cuts. This has helped in terms of maintaining quality, consistency and ensuring that due consideration have been given to meet our legal responsibilities. Feedback was given to directorates and this quality assurance will continue as the EAs develop through the consultation period. As appropriate, proposed cuts will be further considered following further and ongoing consultation and the results of the developing EAs. The analysis of the EAs has also helped Councillors to debate issues, review decisions and look at the viability of alternatives and mitigating measures in order to ensure that the council meets its PSED and other legal duties.

The quality assurance process has provided a central overview of all proposals and their potential impacts upon groups. This led to more detailed assessments on a series of 'cross-cutting' themes incorporating key areas. EAs will continue to be reviewed as we consult with staff, service users and others on our detailed proposals. The feedback received through consultation will be incorporated into the documents, in particular, the assessment of potential impacts, to guide detailed decision making.

Whilst the Council regularly monitors the social impact of the cuts and social cohesion, an essential part of the council's EA process is the public consultation on the Business Plan and Budget. The corporate public consultation on the 2015/16 budget proposals began on 10 December 2014 and closed on 12 January 2015. A number of methods were used (see Appendix 1).

In addition, individual Directorates are conducting detailed consultations around their specific proposals. These will inform separate policy decisions, subsequent to the setting of the 2015/16 council budget. Views expressed during the budget consultation have been fed through to Directorates to inform their consultations and the equality assessments of the proposals that are currently underway. There is also a consultation process taking place with council staff and their trade unions.

## **1.5 Conclusion**

The council recognises it is essential that it undertakes an appropriate, comprehensive approach to the equality analysis and assessment of its proposed future developments to its policy and related spending plans.

This section has provided a description of the council's rigorous equalities process undertaken in line with the Equality Act 2010 and together with the initial equality assessments below provides an overview of the main equality considerations arising from the council Business Plan and Budget 2015+.

Detailed equalities assessment work continues to be undertaken by each Directorate and is part of an ongoing process. These assessments are available to Members through the Equalities Risk Analysis toolkit. In completing this work the council will also work with its partners to further explore the equality implications of the council's proposals, and the mechanisms for monitoring the equalities impacts of expenditure decisions.

The consultation and equalities assessment work to date has identified a range of mitigations that the council could put in place in order to progress the proposed cuts on which it is consulting. These are detailed below. However it is not possible at this stage to fully assess the impact on those with protected characteristics and further assessment will be carried out as part of the full impact assessments, where required.

With the approach taken by the council to consultation and equalities assessments, described above, and the mitigations and budget changes made and incorporated into this budget and detailed below, following such consultation and equality assessment, it is considered that the council Budget set out in this report is reasonable and appropriate.

While the ongoing consultative and equalities work still underway may necessitate some subsequent changes to the resource allocations within this Budget, in the context of the overall scale and shape of the corporate Budget as a whole, any such changes may reasonably be expected to be of a magnitude which could and would be addressed within the framework of this council Budget.

## Annexe 1 Equalities – initial assessments

### Introduction

This narrative provides a brief analysis of the equality impact of the proposed savings for the 2015/16 budget. Directorates are required to ensure that all proposals have been discussed and agreed with the relevant Cabinet Member, and that relevant consultation and all equality assessments have been approved and signed off by the relevant Strategic Director before final decisions are made.

The narrative below provides a general overview of likely impact of the proposals, but does not go into detail in respect of each individual proposal, as this detail is available in the individual factsheets and also the Responding to the challenge, looking to the future Budget consultation 2015+ (white paper) December 2014.

Individual Directorates have conducted and are continuing to conduct further detailed consultations around their specific budget proposals, where appropriate, and will undertake equality assessments where required.

In addition to the impact in terms of service users, and providers there is also likely to be an impact on the council's workforce because of the proposed cuts.

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
P16 Assessment and Support Planning	We are not proposing to change the amount spent on assessment and support planning. The integration resulting from the Government's Better Care Fund Programme is anticipated to provide some savings through joint working. This, combined with some money previously set aside by the NHS to support adult social care will enable us to keep this budget at its current level over the next two years.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Two-way communication with staff about the future operating model is already taking place and will continue. Formal consultation with both staff and the wider public

<sup>2</sup> See Appendix 3F for full details of each of the proposals.

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
P17 Third Sector Commissioning	<p>We are proposing to reduce the budget for third sector services. More specifically to:</p> <ul style="list-style-type: none"> <li>• re-commission services for older adults, learning disabilities and mental health service users, with a clear intention of reducing the unit cost of delivery and of maximising independence, potentially through the extension of befriending as an alternative to day centre provision</li> <li>• decommission all of the services currently providing information and advice, with the exception of general advocacy.</li> </ul> <p>We are not suggesting changes to the funding of counselling or domestic violence services. Neither will HIV or Drug and Alcohol services be changed as they have very recently been re-commissioned at lower cost.</p>	<p><b>Potential Risk:</b> The proposal is assessed as having a potential impact</p>	<p><b>Proposed Mitigation:</b> Following consultation feedback consultees were concerned about these proposals, and in particular the risks of reducing preventative and early intervention services (see above). We have responded to the concerns raised through the consultation by reducing the savings proposal to Third</p> <p>Sector Commissioning by £618K. This will enable us to work with stakeholder to refocus issues around mental health and other areas.</p>
P18 Health and Wellbeing (including Healthwatch)	<p>This proposal has two elements: a management restructure and a 30% reduction in the value of the services contracted from Healthwatch.</p>	<p><b>Potential Risk:</b> The proposal is assessed as having a potential impact on equalities.</p>	<p><b>Proposed Mitigation:</b> We will work closely with Healthwatch to help them manage the impact of reduced council funding. We will consult staff and make suitable adjustments to management and working arrangements.</p>

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
<p>P19 Specialist Care Service (internally delivered care services)</p>	<p>We continue to look at options to transfer this service into a social enterprise.</p> <p>In addition, we have undertaken a fundamental review of in-house care services, so that we only provide services in-house that offer better value for money; prevent or delay the need for more expensive care and cannot currently be provided effectively by external providers.</p> <p>This will mean the in-house service will predominately focus on: Reablement for Adults with a Learning Disability, Day Care (for all client groups especially those with a Learning Disability), Dementia Care for Older Adults, Enablement for Older Adults, Statutory services (Funerals and Occupational Therapy).</p> <ul style="list-style-type: none"> <li>• We are proposing to externalise the provision of extra care sheltered accommodation and night care services on a phased basis.</li> <li>• We are proposing stop the Community Links, Star and Community Options services and review services for the visually impaired, Shared Lives and Shared Friends. We will suggest and consult on changes to these services following the review.</li> <li>• We will be able to reduce the size of the management team if the services above are stopped/ commissioned externally.</li> </ul>	<p><b>Potential Risk:</b></p> <p>The proposal is assessed as having a potential impact on equalities.</p>	<p><b>Proposed Mitigation:</b></p> <p>Holding detailed consultation with extra care and night service users before changing the service they receive and take their views into account when making the change.</p> <p>Existing Community Links, Star and Community Options service users will provided with information on other services they can use.</p> <p>Support for staff looking for new jobs - some council jobs could potentially transfer to the private sector as in-house services are replaced by commissioned services.</p>

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
P20 Supporting People	We are proposing to reduce funding for people with Physical and Sensory Disabilities in 2016/17. At the same time we will commission a redesigned “disability housing support service”. The new service would be for Adults with a Mental Health Need or a Learning, Physical or Sensory Disability. It would aim to retain some of the supported accommodation currently available in the City and also give some capacity to support people living within their own homes. This would enable prevention support to be delivered to people living in the community at risk of increased statutory care interventions and homelessness.	<b>Potential Risk:</b> The proposal is assessed as having a potential impact on equalities.	<b>Proposed Mitigation:</b> Following consultation feedback consultees were concerned about these proposals and in particular the risks of reducing preventative and early intervention services. We have responded to the concerns raised through the consultation by reducing the savings proposal to Supporting People by £400K. This has removed the proposed cut to Supporting People in 2015/16 and will help us to work with providers to plan for the longer term.
P21 Education Capital Financing	This is a proposal to use innovative financial management around how schools expenditure is accounted for, without impacting on their day to day spending.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> We will work to ensure that schools understand how this proposal will work and that it will not impact on their delegated budgets or accumulated reserves.
P22 Early Years	We are proposing to transform services for young children and families. The aim is to achieve better outcomes for young children and families for the level of resource we have, but to spend less and to close some services as our overall budget reduces. The transformation plan will include early years’ services, children’s centres, nurseries, the Think Family programme, and the	<b>Potential Risk:</b> The proposal is assessed as having a potential impact on equalities.	<b>Proposed Mitigation:</b> We will co-design services with community representatives and those who deliver services and consult with staff and other stakeholders. We would support staff looking for new jobs - some council jobs could potentially transfer to the private or third sector as in-house services are replaced by commissioned services.



Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	<p>opportunities provided by health visiting services transferring to the city council.</p> <p>This is a significant piece of work being undertaken with partners and stakeholders and we don't yet have firm proposals about what services will look like in the future but we expect:</p> <ul style="list-style-type: none"> <li>• Children's centres will need to offer more targeted services rather than universal services (focusing services on those with the greatest need, rather than offering a service to all families).</li> <li>• The central support team will need to be restructured.</li> <li>• There are likely to be more commissioned services, rather than services provided directly by the council.</li> </ul>		<p>We would review how we can signpost to those delivering services"</p>
<p>P23 Home to School Transport</p>	<p>We are proposing to:</p> <ul style="list-style-type: none"> <li>• Ensure home to school policy is strictly adhered to at assessment and appeal – this will mean we only provide home to school transport where we have a statutory duty to.</li> <li>• Look at our transport procurement and commissioning to ensure we are using the most cost effective and efficient arrangements, whether this is externally commissioned transport or using our own fleet.</li> <li>• Promote use of Personal Transport Budgets. This is where we make a payment to someone to organise their own transport where this appropriate for a family,</li> </ul>	<p><b>Potential Risk:</b> The proposal is assessed as having a potential impact on equalities.</p>	<p><b>Proposed Mitigation:</b> We will talk to service users and their families about the changes and support families whose transport arrangements change. We will ensure our home to school transport policy and the criteria we use to decide if a child will receive home to school transport is readily available and applied consistently in all cases.</p>

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	<p>rather than the council organising it for them.</p> <ul style="list-style-type: none"> <li>• Promote independent travel where appropriate; enabling people to use public transport rather than rely on specialised transport vehicles.</li> <li>• Assess if pupil guides (who accompany children and young people to school on public transport) could be externally commissioned, rather than being directly employed by the council</li> </ul>		
P24 Unattached School Playing Fields	<p>Birmingham has 33 unattached education playing fields, intended to provide external play and sports provision for schools lacking their own paying fields and outdoor facilities. Some of these are used by schools and the community for formal sports activity, e.g. football and some are used as public open space rather than for formal activity.</p> <p>Where playing fields are used for sporting activity (e.g. football), and there is interest from a local organisation, we are proposing to transfer the site on a lease arrangement. Where there is no interest from local organisations to take on a site the options for disposal or reducing maintenance costs will be considered.</p>	<p><b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities</p>	<p><b>Proposed Mitigation:</b> All existing service users will be made aware of the process to ensure they have an opportunity to express interest in the future management/operation of the site.</p> <p>We will provide partners with the advice and support to bid to lease a site if they require this.</p>

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
P25 Homelessness	We are proposing to reduce this budget to bring it in line with Local Authorities considered as best in class in relation to the cost of their homelessness service. We will do this by reviewing the service, including services delivered by commissioned partners.	<b>Potential Risk:</b> The proposal is assessed as having a potential impact on equalities.	<b>Proposed Mitigation:</b> Consulting with staff, service users and other stakeholders.
P26 Public Health	We have looked at what we spend our Public Health budget on and discussed this with the NHS. We are proposing to re-commission some of the contracts we have and change the specification of others.	<b>Potential Risk:</b> The proposal is assessed as having a potential impact on equalities.	<b>Proposed Mitigation:</b> De-commissioning will be undertaken carefully, over a period of more than three months and supported by widespread consultation. We will work to develop "self-service" approaches in 15/16 and 16/17 to reduce the impact of losing face-to-face services.
E12 Business Development and Innovation	The service has £0.3m set aside to ensure that there would be future match funding for business development activity as required by EU programmes. We are proposing to use this over the next three years in place of reducing what the service spends.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	We are not proposing any changes to the current level of service.
E13 City Centre Management	The proposal is to scale back the City Centre Management role to one of purely strategic support e.g. Business Improvement District support and cease the City Council's funding for Street Wardens and Festive Lighting entirely by 2016/17, unless external funding can be secured to cover the costs.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Looking at other ways of funding the Warden Service and other activities. Consulting with stakeholders.

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
E14 Employment Skills and Disability Service	<p>We are proposing to reduce the number of staff and focus remaining limited resources on meeting the council's leading employment and skills priorities, reducing or stopping some of our current service delivery. Recharge employee costs (where possible) to projects, reducing the cost to the council.</p> <p>Strategic levers and a project management approach will be maintained to fit with the emerging Joint Economic Unit.</p>	<p><b>Potential Risk:</b> The proposal is assessed as having a potential impact</p>	<p><b>Proposed Mitigation:</b> Having a smaller team that is highly skilled, multi-disciplined and flexible. Closer working with strategic, operational and specialist partners. Service users who are affected will be told about other services they could use. Consultation with partners and stakeholders.</p>
E15 Enterprise and Funding Team	<p>We are proposing to complete delivery of the Enterprise Catalyst Project (ending June 2015) and cease BCC funding associated with the project (including funding for posts). Future delivery of local business and enterprise support will be provided through the emerging Joint Economic Unit. This is something we are looking to set up with other nearby local councils, Local Enterprise Partnerships, universities and other bodies, that would enable us to jointly commission economic development work.</p>	<p><b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities</p>	<p><b>Proposed Mitigation:</b> Consulting with stakeholders.</p>

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
E16 Greater Birmingham & Solihull Local Enterprise Partnership (GBS LEP) including Economic Research and Policy	We are proposing to: <ul style="list-style-type: none"> <li>• increase efficiency and delete (not recruit) to vacant posts unless business critical</li> <li>• generate further income and reduce contributions to joint bodies</li> </ul> We need to consider this service in respect of the emerging Joint Economic Unit.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	Consulting with service users and other stakeholders.
E17 Marketing Birmingham	We are proposing to refocus the Service Level Agreement we have with Marketing Birmingham. This will prioritise inward investment services at the expense of services to support the visitor economy.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Working with Marketing Birmingham and the private sector, alongside public sector partners, to develop a new approach to generating income for supporting the visitor economy.
E18 Climate Change and Environment	We are proposing to increase income and sponsorship and reduce the number of staff.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Actively seeking to raise funds to support our activities and working in partnership across the sector through the Green Commission, to deliver shared objectives.
E19 Establish an Energy Services Company	An Energy Services Company (ESCo) would have the ability to make money, eventually generating a profit. It would use the Council's ability to buy energy at wholesale prices and then sell energy on. This proposal is reliant on creating new income and there are initial costs to implementation which are not yet fully modelled. <ul style="list-style-type: none"> <li>• This will create a new ESCo for Birmingham</li> <li>• It will utilise the assets of the council to generate energy (solar, bioenergy, energy from waste, ground source, etc.) from its land</li> </ul>	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Minimising the set-up and regulatory costs through an incremental approach to company creation, using a small number of large volume customers first. The initiative forms part of the council's Utilities Strategy which contains a range of energy cost reducing proposals; these will be pursued in parallel to the ESCo project.

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	and buildings and utilise the potential of generating energy from waste when the current Veolia contract at Tyseley ends (2019) <ul style="list-style-type: none"> <li>• We would work with Core Cities to secure the necessary energy generator and retailer powers for the Council</li> </ul>		
E20 Support Services	We are proposing to: <ul style="list-style-type: none"> <li>• make substantial staffing reductions</li> <li>• increase efficiency</li> <li>• maximise opportunities to charge for services</li> <li>• place more responsibility with line managers</li> <li>• charge credit card transaction fees back to the customer</li> <li>• reduce Forward (the Council newspaper for Residents) to twice-yearly</li> <li>• review arrangements for tracking resident satisfaction and views</li> <li>• substantially reduce the third sector support contract and identify sustainable support arrangements</li> <li>• increase income from external advertising</li> </ul>	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Consultation with staff and other stakeholders. <ul style="list-style-type: none"> <li>• Clearly defining managers' roles and the role of support services.</li> <li>• Taking steps to bring about the change in culture and develop the new management skills that will be needed; including improvements to technology, processes and online advice to support managers.</li> </ul>
E21 Birmingham Property Services	We are proposing to reduce: <ul style="list-style-type: none"> <li>• the number of staff in the Birmingham Property Services team</li> <li>• the number of vacant properties in our commercial property portfolio</li> <li>• office security costs</li> </ul> In addition, to increase rental income from our investment property portfolio	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Aiming to protect our capacity to: <ul style="list-style-type: none"> <li>• continue to achieve the revenue targets in the commercial portfolio</li> <li>• continue to achieve capital receipts targets; and</li> <li>• contribute to economic regeneration projects</li> </ul> Consulting with staff and other stakeholders.

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
E22 Revenues	<p>To redesign the way the client team works, ensuring effective focus on contract monitoring work.</p> <ul style="list-style-type: none"> <li>• That the cost of managing revenue for Business Improvement Districts (BIDs) is recharged to the BIDs.</li> <li>• To reduce printing, scanning and indexing costs.</li> <li>• To increase the cost of Council Tax and Business Rates Summons' to reflect the increased costs of this function. This is a fee Birmingham residents and businesses are charged if they are summonsed to court for not paying their Council Tax or Business Rates. The fee is currently lower than that charged by many other Local Authorities.</li> </ul>	<p><b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities</p>	<p><b>Proposed Mitigation:</b> Following consultation feedback we recognise the importance of these collaborations with business in local areas, and have amended our proposals to reduce costs for smaller companies compared to our initial proposal</p>
E23 Service Birmingham	<p>We are proposing to reduce our ICT costs.</p>	<p><b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities</p>	<p><b>Proposed Mitigation:</b> Consulting with the directorates and stakeholders. Work with the above to assess risks and business compatibility There will be no external impact. There will be an impact on directorates who will need to change the way they work in order to make the savings.</p>
E26 Housing Development	<p>We currently spend £30,000 from our 'General Fund' on this service. This is the part of our budget that we can spend on the services we choose to.</p> <p>The majority of this service is paid for from the 'Housing Revenue Account'. This is a separate part of our budget that shows income and</p>	<p><b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities</p>	<p><b>Proposed Mitigation:</b> Consulting with staff and other stakeholders.</p>

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	expenditure on activities related to council housing. There are strict rules about what can be paid for from this, but the rules would allow us to pay for the whole service from this account. This is what we propose to do.		
E27 Library of Birmingham/Strategic Library Services	<p>We are now proposing to reduce:</p> <ul style="list-style-type: none"> <li>• the number of staff and services at the Library of Birmingham, yet maintain collection management for the photographic and archival/ literature collections, and support for children's reading initiatives</li> <li>• reduce the opening hours from 73 to 40 and reduce the support we give to community libraries</li> <li>introduce a dual fee (reduced rate inside the City) for the loan of choral and orchestral sets</li> <li>• We are also looking at the amount we spend on new books. We are proposing to spend less on renewing our stock in 2015/16 and will consider a range of options for renewing stock and mobile library service provision in future years.</li> <li>• We will continue to keep the library at home list closed to new applications.</li> </ul>	<p><b>Potential Risk:</b> The proposal is assessed as having a potential impact on equalities.</p>	<p><b>Proposed Mitigation:</b> Following consultation feedback there was significant public concern about the original proposals in the White Paper to cease all business, learning, children's reading, music and archives services. Whilst the scale of Government cuts means that we do need to reduce substantially the opening hours of this service, we have changed the proposals to mitigate the impacts on specialist collections referred to above and to increase support to child literacy compared to the initial proposals. We are proposing to introduce charges for the music service, to enable us to keep some of the specialist staff in this area. Consulting with staff and other stakeholders.</p>
E28 Support to Museums and Heritage	The proposal from Birmingham Museums Trust is to reduce staffing at museums, increase fundraising and introduce new arrangements for management of the Heritage Sites. During 2015/16 transition costs of £0.250m have been allowed	<p><b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities</p>	<p><b>Proposed Mitigation:</b> Following consultation feedback an online petition and comments in the consultation process emphasised public support for the Birmingham Museums. Whilst the Museum Trust is independent of BCC, we</p>



Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	to support this long term reduction.		are committed to helping them restructure to enable a financially sustainable future and have reduced the proposed cut in the White Paper by 250K.
E29 Support to the Arts	The budget is already committed in 2015/16 through agreements with the funded arts organisations which have delivered a 20% saving this year. In 2016/17, it is proposed to work with the arts organisations to achieve phased reductions in the City Council’s contribution to the “culture pound”.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Funded organisations have been working to manage their reductions by reducing costs through sharing services, increasing income (including from philanthropy and sponsorship) and seeking new commercial opportunities. For future proposed reductions, further work is ongoing with the organisations to continue to increase the proportion of funds raised from other sources and to reduce costs in order to protect, as far as practicable, the artistic output and accessibility of their work.
E30 Major Events	For major events, it is proposed to reduce the budget and to fund the eight major events which are contractual, or near-contractual commitments.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Focusing support on events most likely to provide an impact in terms of visitor numbers, economic return and reputation of the city. We will work with the visitor economy businesses and other public bodies to assemble funding and partnerships to support bidding and development of future events in the business, sporting and cultural arena.

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
E31 Development and Regeneration	We are proposing to redesign the service in line with future priorities including reduction in posts to achieve ongoing savings. In addition one-off savings will be made through efficiencies, additional planning fee income and one-off funding from external projects to meet the higher target in 2015/16.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> We will consult with staff the public, partners and other parties such as the Property Agents Forum.
E32 City Design and Conservation	We are proposing to change the service provided by the team by: <ul style="list-style-type: none"> <li>• Reducing the number of specialist roles</li> <li>• Limiting the amount of design and conservation advice we provide</li> <li>• Passing the responsibility to pay for specialist advice to the applicant where possible</li> <li>• Stopping the support we currently provide for Conservation Area designation</li> </ul>	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> We will consult with the public and partners. We will set out the level of service offered on the city council planning webpage.
E33 Building Regulation	We are proposing to reduce the amount of enforcement activity we do in relation to issues that do not pose a threat to life.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Seeking to resolve critical issues during the formal building regulation plan checking and site inspection processes.
E34 Planning Management	We are proposing a number of changes to increase efficiency and increase income. This would include: <ul style="list-style-type: none"> <li>• Streamlining processes further and reducing administration activity</li> <li>• Paper saving; better use of IT and document management</li> <li>• Reducing the level of Public Participation consultation on planning applications</li> </ul>	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> We will continue to consult and communicate through existing customer groups. We will provide further information and self-help links on the website – website assistance is free of charge.

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	<ul style="list-style-type: none"> <li>• Charging an administration fee for invalid applications</li> <li>• Charging for enquiries</li> <li>• Increasing Local Land Charges</li> <li>• Increasing Internal Service Level Agreement charges</li> <li>• Charging for pre-application advice on large planning applications</li> <li>• Re-negotiating the press notice contract</li> </ul>		
E35 Transportation Strategy	We are proposing to increase the income we generate for professional services as well as aligning staff functions to deliver capital and externally funded revenue projects.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> We will consult staff about the changes.
E36 Benefits Service	We are not proposing to change the amount spent on this service. The vast majority of what we spend on the service is repaid by Central Government. The only real cost to the council are costs for IT support and the contact centre. It is not possible to reduce these further. However, we are proposing to rethink the way the service works. This is because the Housing Benefit grant that Central Government pay us is reducing year on year. We need to be able to work more efficiently to carry on working without significant cost to the Council.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Redesigning the way we work to process claims and changes for Housing Benefit and Council Tax Support. Ongoing consultation with staff and other stakeholders. Aiming to keep the same level of processing speed and accuracy as we currently deliver.
PL15 Home Adaptions Service	We are proposing to pay for some of this service from the Housing Revenue Account. This is a separate part of our budget that shows income and expenditure on council housing. There are strict	<b>Potential Risk:</b> The proposal is assessed as having a potential impact on equalities.	<b>Proposed Mitigation:</b> In response to the budget consultation feedback which stressed the importance of the support provided to people through home adaptations; we are now going to retain the

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	rules about what can be paid for from this, but the rules would allow us to use it to cover part of the Adaptations Service.		service for all people
PL16 Bereavement Services	From the original proposal in the White Paper we are now proposing to: <ul style="list-style-type: none"> <li>• increase fees and charges for burials and cremations by 2% and 9% respectively in each of the next 3 years</li> <li>• Rephase the development of Sutton New Hall Cemetery to 2016/17</li> </ul> Reduce employee costs (by deleting vacancies) and operational costs – estimated £0.3m per annum on an ongoing basis)	<b>Potential Risk:</b> The proposal is assessed as having a potential impact on equalities.	<b>Proposed Mitigation:</b> The intention is to introduce more modest increase in fees and phasing these so we can mitigate the impact. Publishing our fees and charges and giving Funeral Directors one month's notice of any change. Constantly reviewing our costs to keep fee increases as low as possible.
PL17 Coroner and Mortuary	We are proposing to control costs and renegotiate contracts.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	The proposal should not have an impact on the service delivered.
PL18 Registrar's Office	The Registrar Service will continue to discharge our statutory obligations (despite additional volumes from neighbouring authorities). The savings will be made by reducing operational costs and generating extra income on non-statutory services, e.g. genealogy and hire of rooms.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	The savings will be made by reducing operational costs and generating extra income on non-statutory services e.g. genealogy and hire of rooms.
PL19 Licensing	These services relate to private hire and entertainment licensing (the fees and charges are partially set by central government). The local authority is required to ensure that all costs are covered by charges. The savings will be delivered through the proposed	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	Consultation with staff and the license holders.

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	increase in fees & charges and will no longer require the use of reserves.		
PL20 Birmingham Careers Service (Connexions)	We are proposing to focus the service on young people not in employment, education or training (NEET), signposting others to alternative services. We are further developing our approach to helping all young people into employment and training through the Birmingham Youth Promise.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> The proposed changes will be discussed with the Youth Commission responsible for leading on the youth offer. We will look at securing other funding around youth unemployment and careers guidance.
PL21 Refuse Collection and Waste Disposal	We are proposing to: <ul style="list-style-type: none"> <li>• increase the fees and charges for our trade waste services by 8% in 2015/16 (on the assumption that current volumes of customers are maintained). There are no further step ups proposed in 2016/17 and future years</li> <li>• reductions in operational costs including vehicle hire and discontinuing uneconomic services e.g. glass collection and cesspit services</li> </ul>	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Potential Mitigation:</b> We will explore the option of flexible pricing for larger contracts. We will give service users formal notice of fee increases.
PL22 Flood Risk Services	We are proposing to reduce the amount of maintenance we do on flood risk assets. These are structures that have been specifically built as a flood defence or that act informally as flood defence. This includes things such as the grills that cover drainage pipes, weirs, flood defence barriers and bridges next to watercourses. We are also proposing to reduce the service to a	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> We will work closely with professional and internal partners to think about ways of reducing the impact of the cuts.

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	'statutory minimum level', only undertaking work that we are legally required to.		
PL23 Pest Control	We are proposing to move to a fully rechargeable Pest Control service. This will include domestic pest control except for rats which will remain a free service.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> We will take the necessary legal action to ensure landlords deal with pest infestations. We will consult with staff and service users. We will increase income by requiring all council services to use the internal pest control service and increasing the number of commercial contracts both to protect free treatment of rats in domestic properties.
PL24 Private Sector Housing	We are proposing to reduce the number of staff. We are also proposing to use the affordable homes element of New Homes Bonus to help fund action on empty property. This is a payment made to Local Authorities when they increase the number of affordable homes in their area.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> We will develop revised service standards and policies. We will consult with staff and other stakeholders. We will aim to support and empower customers to take individual action, whilst the service focuses on the most serious and harmful cases. We will aim to balance the need to meet targets with the need to support local residents with long standing empty property cases which require additional intervention and enforcement.
PL25 New Homes Bonus	We are proposing to reduce the "affordable housing" element of New Homes Bonus allocated for housing investment (substantially support to Birmingham Municipal Housing Trust programme).	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Consulting with staff and other stakeholders. This will not have an impact on the number of new homes built through Birmingham Municipal Housing Trust.

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
PL26 Markets	We are now proposing to increase in fees and charges by 5% in 2015/16 and 2% for the following 2 years. It is also anticipated that there will be an increase in the number of traders at the Open Market and Rag Market and the number of car boot sales and street trading activity and savings in operational costs.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Explore opportunities to generate additional income, for example by expanding opening
PL27 Community Events	The proposal is to withdraw subsidies from all community events, except the Lord Mayor's Show and to support these events in kind in future with officer support.	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Consulting with staff and other stakeholders.
PL28 Parks and Nature Conservation	Proposals revised as follows: <ul style="list-style-type: none"> <li>• discontinuing the maintenance of bowling greens across District and strategic parks (as detailed in the fact sheets)</li> <li>• securing additional grant from the English Cricket Board and the Birmingham Cricket League (subject to a three year agreement)</li> <li>• Secure modest funding from the Football Association.</li> <li>• realign the funding of play areas in and around housing estates</li> <li>• introduce car parking fees at the major strategic and country parks e.g. Cannon Hill, Lickey Hills, Perry and Rectory Parks and extending arrangements at Sutton Park</li> </ul>	<b>Potential Risk:</b> The proposal is assessed as having a potential impact on equalities.	<b>Proposed Mitigation:</b> Following consultation feedback there was concern about plans to reduce city-wide cricket and football pitches and the possibility of unattached school playing fields being sold. With cricket pitches the savings will be achieved through increased fees and charges and a contribution from the Cricket Board and Football Association, as per column on the left.

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	<ul style="list-style-type: none"> <li>• other efficiencies – primarily the deletion of a vacant part-time post.</li> </ul>		
<p>PL29 Sport (Wellbeing Service)</p>	<p>We are proposing to:</p> <ul style="list-style-type: none"> <li>• Focus on delivering health outcomes, which will enable the service to continue receiving support from the Public Health Service</li> <li>• Review site maintenance requirements on the sites we will directly manage after April 2015</li> <li>• Reduce back office support once new technology is in place from 2016 onwards.</li> </ul>	<p><b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities</p>	<p><b>Proposed Mitigation:</b> We will talk with staff about the reduced work level required to manage the new data collection system and the reduced maintenance required when some sites are managed externally.</p>
<p>PL30 Community Safety and Equalities</p>	<p>We are proposing to deliver the saving by reducing external commissioning, operational costs and staff savings in the Safer Places Teams (estimated 2 posts through vacancy management)</p>	<p><b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities</p>	<p><b>Proposed Mitigation:</b> Consulting with staff and other stakeholders.</p>
<p>PL31 Emergency Planning and CCTV</p>	<p>We have deferred the planned saving in this area whilst we explore the potential for new arrangements with partners. These new arrangements will aim to deliver in full the savings proposed for 2016/17 onwards.</p>	<p><b>Potential Risk:</b> The proposal is assessed as having a potential impact on equalities.</p>	<p><b>Proposed Mitigation:</b> Following consultation feedback partners including the Police expressed concern about the budget proposals. We have therefore deferred the planned saving in this area whilst we explore the potential for new arrangements with partners.</p>
<p>PL32 Highways Maintenance</p>	<p>We are proposing to:</p> <ul style="list-style-type: none"> <li>• Re-finance the PFI contract</li> <li>• Reduce capital expenditure</li> <li>• Reduce routine and reactive maintenance</li> </ul> <p>This would all need to be negotiated with the service</p>	<p><b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities</p>	<p><b>Proposed Mitigation:</b> The proposal shouldn't have an impact on the service delivered.</p>



Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	provider, Amey and the Department for Transport.		
PL33 Parking	We are now proposing to: <ul style="list-style-type: none"> <li>• increase off-street car parking charges (estimated at 10% in 2015/16 and 2% per annum subsequently)</li> <li>• Increase on-street car parking (estimated at 8% in 2015/16 and 2% per annum subsequently)</li> <li>• Savings from the new parking enforcement contract delivered by external contractors (approved by Cabinet in November 2014)</li> </ul>	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> In response to consultation we are introducing more modest charging and phasing introduction. Working closely with the Police in relation to parking enforcement.
PL34 Regulation of Street Works	We are proposing to: <ul style="list-style-type: none"> <li>• Work with Amey (our highways maintenance service provider) to identify cases where street works over run and charge the organisation that has over-run</li> <li>• Ensuring that all relevant charges are made to cover the full cost of the services in line with the related rules and policies</li> </ul>	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> Once agreed, new service standards will be communicated.
PL35 Traffic Regulation	We are proposing to introduce a map based system to manage traffic regulation order requests and increase the efficiency of the service	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> We will work with staff to design new ways of working.
PL36 Highways Customer Support Unit	We are proposing to reduce the retained overheads from the Security Service supporting the Highways and Resilience Service	<b>Potential Risk:</b> The proposal is considered to carry no significant risk to equalities	<b>Proposed Mitigation:</b> The service delivered will not be affected.
PL37 Voluntary Sector Advice	Revised proposal is as follows. A reduction in the support	<b>Potential Risk:</b> The proposal is assessed as having	<b>Proposed Mitigation:</b> Following consultation feedback consultees

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	provided to the Service (alternative funding including support through Public Health has been identified to ensure the current service until January 2016 pending the completion of a more fundamental review for the future)	a potential impact on equalities.	emphasised the importance of advice services, particularly given the cuts and complications introduced by central government changes. We are now proposing a lower cut to these services, to give us time to develop a new joint 'advice service offer' with Third Sector partners from the start of 2016.
PL40 District Services	<p>These services will be managed through the new proposed governance framework of the City Council and by Cabinet Members and we are proposing to:</p> <ul style="list-style-type: none"> <li>• to cease the provision of existing community play services and securing delivery through alternative arrangements in the private and voluntary sector the current Community Chest will be discontinued from 2015/16</li> <li>• the development of a new service including potential transfer of facilities to communities and discontinuing existing service provision the development of a new future operating model to meet statutory requirements (including the potential development of a staff mutual organisation)</li> <li>• the development of a new operating model that focuses on 4 homelessness hubs to ensure that our statutory obligations are delivered</li> <li>• refocusing the provision on the existing and the</li> </ul>	<p><b>Potential Risk:</b> The proposal is assessed as having a potential impact on equalities.</p>	<p><b>Proposed Mitigation:</b> Consultation about these proposals will be undertaken between January and March before final decisions are made.</p>

Proposal	Description Post Budget Consultation <sup>2</sup>	Risk	Mitigations
	recently developed sites (including potential transfer to community organisations) <ul style="list-style-type: none"> <li>• these savings will be delivered from a range of services from District Engineers, Local Car Parks and existing staffing structures for District Services.</li> </ul>		

**APPENDIX 3A: BIRMINGHAM CITY COUNCIL REVENUE GRANTS**

<b>Birmingham City Council Revenue Grants</b>				
<b>Grant</b>	<b>2014/15 Budget £m</b>	<b>2015/16 Budget £m</b>	<b>Variation £m</b>	<b>2016/17 Budget £m</b>
Revenue Support Grant	388.053	280.083	(107.970)	195.013
Top Up Grant	123.654	126.016	2.362	128.033
<b>Subtotal Core Grants</b>	<b>511.707</b>	<b>406.099</b>	<b>(105.608)</b>	<b>323.046</b>
Small Business Rate Relief <sup>1</sup>	5.247	5.606	0.359	5.606
Other Section 31 Grants Relating to Business Rates <sup>1</sup>	5.835	8.531	2.696	4.731
New Homes Bonus Topslice: Returned Funding	1.070	1.048	(0.022)	0.000
New Homes Bonus	14.304	16.801	2.497	20.003
<b>Subtotal Corporate Grants</b>	<b>26.456</b>	<b>31.986</b>	<b>5.530</b>	<b>30.340</b>
<b>Directorate Grants</b>				
Public Health Grant	80.838	92.062	11.224	103.256
The Private Finance Initiative (PFI) - Highways	50.311	50.311	0.000	50.311
Better Care Fund	25.668	32.163	6.495	37.263
The Private Finance Initiative (PFI) - Education	18.232	18.232	0.000	18.232
Education Services Grant	16.779	13.500	(3.279)	13.500
Birmingham Adult Education Services from Skills And Education Funding Agencies	11.174	11.144	(0.030)	11.144
Housing Benefit and Council Tax Subsidy Admin Grant	9.733	8.199	(1.534)	7.323
Troubled Families grants	2.986	5.180	2.194	5.180
Care Act	0.000	5.068	5.068	5.068
Local Reform and Community Voices	1.011	0.754	(0.257)	0.754
Social Care in Prisons Grant	0.000	0.205	0.205	0.205
Illegal Money Lending Team	3.605	3.605	0.000	3.605
Community Safety Fund	2.498	2.498	0.000	2.498
MAST/PE Teacher Release Funding	0.950	2.265	1.315	0.910
Youth Justice Board Grant	2.399	2.217	(0.182)	2.217
Green Bridge	0.000	1.503	1.503	0.000

<b>Grant</b>	<b>2014/15 Budget £m</b>	<b>2015/16 Budget £m</b>	<b>Variation £m</b>	<b>2016/17 Budget £m</b>
New Homes Bonus Affordable Homes element	0.778	0.975	0.197	1.172
Enterprising Catalyst 2 Project ERDF	0.964	0.964	0.000	0.000
Independent Living Fund	0.000	0.935	0.935	0.935
SEND Implementation	0.000	0.795	0.795	0.000
Remand Framework Allocation	0.807	0.622	(0.185)	0.622
Business Development Programme GBSLEP	1.443	0.559	(0.884)	0.000
New Burdens DWP Welfare Reform Grant	0.000	0.350	0.350	0.000
Business Innovation	0.000	0.314	0.314	0.000
Council Tax Support New Burdens Funding	0.604	0.307	(0.297)	0.000
Police and Crime Commissioner Grant	0.273	0.273	0.000	0.273
Scam Busters	0.300	0.260	(0.040)	0.260
Bikeability Grant	0.000	0.229	0.229	0.229
Asylum Seekers	0.267	0.225	(0.042)	0.225
Home Office Prevent Programme	0.108	0.193	0.085	0.193
Technical Assistance ERDF Future Funding	0.000	0.188	0.188	0.000
Direct Salaries Grant	0.000	0.186	0.186	0.000
Climate Change SPEA	0.000	0.181	0.181	0.000
Single Homeless Fund	0.000	0.156	0.156	0.000
Staying Put Grant	0.000	0.150	0.150	0.150
Climate Change KIC	0.000	0.132	0.132	0.000
Womens Enterprise Centre Grant	0.000	0.127	0.127	0.000
Opti Cities European FP7	0.000	0.122	0.122	0.020
Lead Local Flood Authority	0.165	0.110	(0.055)	0.110
Extended Rights to Free Travel	0.164	0.105	(0.059)	0.000
Natural England Grant for Higher Level Stewardship in Sutton Park	0.095	0.095	0.095	0.095
Magistrates Grant	0.088	0.085	(0.003)	0.080

Grant	2014/15 Budget £m	2015/16 Budget £m	Variation £m	2016/17 Budget £m
Counter Fraud Fund	0.000	0.076	0.076	0.000
Police and Crime Panel	0.066	0.066	0.000	0.066
Youth Music Programme	0.000	0.046	0.046	0.000
Home Office Prevent Grant Programme Analyst	0.038	0.038	0.000	0.038
Birmingham Connectivity Voucher & Business Support ERDF Grant	0.000	0.036	0.036	0.000
Home Office Prevent Grant HEFE Coordinator	0.036	0.036	0.000	0.036
Youth Justice Board Grant	0.000	0.035	0.035	0.035
Site Delivery Fund	0.000	0.035	0.035	0.000
Home Office Prevent Grant - Upstanding Neighbourhoods	0.035	0.035	0.000	0.035
Open Transport Network	0.000	0.034	0.034	0.046
Natural England Grant for Higher Level Stewardship Grasslands	0.000	0.025	0.095	0.025
Investing in Enterprise Space Digbeth and Jewellery Quarter	0.066	0.024	(0.042)	0.000
Investing in Enterprise Space A34/A47 and A41 Corridors	0.062	0.022	(0.040)	0.000
Tyseley Property Assistance Package	0.069	0.012	(0.057)	0.000
Natural England Grant for Higher Level Stewardship Lickey Hills	0.000	0.009	0.095	0.009
Home Office Prevent Grant - Prevent Evaluation	0.008	0.008	0.000	0.008
Birmingham Sports and Physical Activity Programme	0.200	0.000	(0.200)	0.000
Prison Library Service	0.011	0.000	(0.011)	0.000
Home Office Prevent Grant Youth Offending	0.023	0.000	(0.023)	0.000
Sport England Participation Sport	0.042	0.000	(0.042)	0.000
Social Fund (Local Welfare Provision Grant)	7.366	0.000	(7.366)	0.000
Weekly Collection Support Scheme	20.280	0.000	(20.280)	0.000
Digital Birmingham - Discover - European Competitiveness and Innovation Programme	0.104	0.000	(0.104)	0.000
Home Office Prevent Grant	0.085	0.000	(0.085)	0.000
Cooling & Heating Network	0.121	0.000	(0.121)	0.000

Grant	2014/15 Budget £m	2015/16 Budget £m	Variation £m	2016/17 Budget £m
Adoption Reform Grant	1.328	0.000	(1.328)	0.000
New Burdens Grant - Right to Challenge	0.009	0.000	(0.009)	0.000
New Burdens Grant - Assets of Community Value	0.008	0.000	(0.008)	0.000
DCLG Social Housing Fraud Grant	0.073	0.000	(0.073)	0.000
Individual Electoral Registration	0.433	0.000	(0.433)	0.000
SEN Support	0.460	0.000	(0.460)	0.000
<b>Subtotal Directorate Grants</b>	<b>263.163</b>	<b>258.081</b>	<b>(4.831)</b>	<b>266.128</b>
<b>Expenditure Reimbursement Grants</b>				
Mandatory Rent Allowances: subsidy	335.923	345.529	9.606	345.529
Rent Rebates Granted to HRA Tenants: subsidy	204.428	201.658	(2.770)	201.658
Discretionary Housing Payments (DHPs)	4.147	3.052	(1.095)	3.052
Higher Education Funding Council (HEFC)	0.786	0.786	0.000	0.786
<b>Subtotal Expenditure Reimbursement Grants</b>	<b>545.284</b>	<b>551.025</b>	<b>5.741</b>	<b>551.025</b>
<b>Direct Schools Funding Grants</b>				
Dedicated Schools Grant (DSG)	752.042	709.141	(42.901)	709.141
Pupil Premium Grant	61.762	60.010	(1.752)	60.010
Sixth Form Funding from Education Funding Agency	22.545	17.550	(4.995)	17.550
Universal Infant Free School Meals	0.000	9.884	9.884	9.884
<b>Subtotal Direct Schools Funding Grants</b>	<b>836.349</b>	<b>796.585</b>	<b>(39.764)</b>	<b>796.585</b>
<b>Total Grants</b>	<b>2,182.959</b>	<b>2,043.775</b>	<b>(138.933)</b>	<b>1,967.124</b>

1. Excludes grants payable to the Enterprise Zone

## Further Information on Grants over £5m

### Public Health Grant - £92.1m

On 1 April 2013 the City Council became responsible for providing a range of public health services previously managed by the Birmingham Primary Care Trusts. The main services that transferred included sexual health, smoking cessation, drugs and alcohol abuse and promoting healthy lifestyles. Funding is received by the Council as a ring fenced grant and is overseen by the Health and Wellbeing Board. Most of the funding is spent on services commissioned from NHS Trusts, Primary Care contractors, the Third Sector and the City Council.

The grant is ring-fenced and can only be used on public health related activities set out in a range of legislation and included in the grant conditions. The activities also need to be in line with the Health and Wellbeing strategy and, most importantly, Public Health Outcomes will have to improve to avoid a loss of funding in the future.

The Department of Health confirmed the Public Health Grant allocations for 2015/16 on 17 December 2014. The amounts provided to Birmingham for the provision of Public Health services will be **£80.8m** in 2015/16, the same as in 2014/15.

The Government has also announced a health premium incentive scheme which will reward Local Authorities for progress made against the completion of the drug treatment indicator and a local indicator to be determined locally from fifty-one Public Health Outcome Framework indicators. An additional grant of £5 million to be shared among local authorities in 2015/16 is available if health improvements are achieved in 2014/15 against the selected two indicators. The City Council is not likely to know the amount to be received, if any, until towards the end of 2015/16.

Allocations for 2016/17 and beyond are uncertain. The Government has previously considered changing the methodology for the allocation of the Public Health grant to a need based formula rather than based on historic allocations and has commissioned the Advisory Committee on Resource Allocation to determine the most appropriate needs-based allocation base for future Public Health Grant. There is a risk that the City Council's allocation would reduce if such a change in method is introduced. For the moment the City Council is assuming that this core Public Health allocation will remain constant in future years.

As part of delivering its vision of improving the health outcomes of children and young people the Government is transferring the responsibility for commissioning 0-5 year old children's public health services from NHS England to Local Government on 1 October 2015. For 2015-16 'lift and shift' principles will be used as a basis for the transfer of commissioning responsibilities to support contracts which are in place and ensure a safe mid-year transfer. The City Council will, therefore, receive additional Public Health Grant of **£11.3m** which is equivalent to the contract value for the 2015/16 half year. It is assumed that this element of Public Health grant will increase significantly in 2016/17 to reflect the full year allocation.



## **Better Care Fund – £32.2m**

The Better Care Fund (BCF) was announced in June 2013 to drive the transformation of local services to ensure that people receive better and more integrated care and support. Nationally, the fund will consist of at least £3.8 billion to be deployed locally on health and social care through pooled budget arrangements between local authorities and Clinical Commissioning Groups (CCGs).

For Birmingham, the Council's Cabinet in March 2014 endorsed the principle of a BCF joint pooled budget for Older Adult Social Care and health integrated provision between BCC and local NHS CCG's. Joint proposals were developed during last year and submitted to the Department of Health in line with the BCF timetable.

The funding which the Council receives through the BCF will replace the Section 256 transfer from the NHS which had been made in recent years. In 2014/15 this amounted to £25.7m to support eligibility and funded a number of one-off projects.

For 2015/16 revenue funding of £74.2m will be provided to the Birmingham BCF by the Department of Health. This includes the s256 funding referred to above and a reallocation of funding previously provided to CCGs. There is no new money in the health and care system but the BCF provides an opportunity for joint working between local government and health to deliver better outcomes for citizens.

In total BCC will receive £26.0m of the total £74.2m BCF resource. The BCF will resource a number of schemes to support and action directly the delivery of Birmingham's BCF Plan. Some of these projects will be led or provided by the City Council. The schemes will relate to reablement (**£3.0m**), and elements of the implementation of the Care Act (**£3.0m**). In addition, **£20.0m** of the total BCF allocation will be transferred to the City Council to fund existing commitments to provide packages of care.

The BCF aim of driving closer integration and improving outcomes for patients and service users and carers is based on the financial assumption that there is no new money and commissioners are expected to redirect funds into pooled arrangements to deliver benefits. Financial savings will be invested in new services in health and passed to the Council to support Adult Social Care. In 2015/16 this transfer is estimated to total **£6.2m** over and above the £26.0m described above.

In addition to the 2015/16 grant allocation, included in the gross expenditure estimates of Appendix 3Hi, it is also expected that there will be an additional £17.4m of unspent Section 256 transfers from prior financial years brought forward from 2014/15 to support adult social care.

### **Care Act 2014 and other Department of Health Grants - £6.0m**

The Care Act 2014 received Royal Assent on 14 May 2014. It is the most significant piece of legislation in the care sector since the establishment of the welfare state. It builds on a patchwork of legislation built up since the 1948 National Assistance Act. The Government has subsequently issued Regulations and Guidance implementing the provisions of the Act.

The Government has provided **£5.1m** of specific funding for the additional duties and responsibilities which the Care Act places on the City Council. These are to cover:

- a) Early assessments - £2.2m
- b) Deferred payment agreements - £1.6m
- c) Carers and Care Act Implementation - £1.3m

The Government has also announced two related grants. The Social Care in Prisons Grant provides the City Council with **£0.2m** to meet the new duty under the Act to assess and meet the care and support needs of offenders residing in prisons in the area. The Local Reform and Community Voices Grant will continue although the amount has reduced from £1.0m in 2014/15 to **£0.7m** in 2015/16 as some responsibilities are now being funded through the BCF.

### **Birmingham Adult Education Services from the Skills and Education Funding Agencies - £11.1m**

The City Council will receive a grant of £11.1m in 2015/16 to continue to provide Adult Life Long Learning Services (this includes the provision of an Adult Skills Programme and a Community Learning Programme for a diverse range of local people from the age of 18 years).

### **Housing Benefit and Council Tax Benefit Subsidy Administration Grant - £8.2m**

The City Council will receive a base allocation from the Government of £8.2m in 2015/16. This is a reduction of £1.5m from the grant given in 2014/15. The cost of the service will be managed within this reduced resource envelope.

### **Private Finance Initiative Grants - £68.5m**

The City Council will continue to receive funding for Private Finance Initiative (PFI) projects of £68.5m being £50.3m for Highways and £18.2m for schools. Whilst this funding is unringfenced, it is needed to meet contractually committed payments and is not available to meet City Council expenditure generally, other than on a temporary basis and requiring repayment.

### **Education Services Grant - £13.5m**

Education Services Grant (ESG) (an unringfenced grant), estimated at £13.5m, is provided to reimburse City Council for costs and commitments it continues to incur from its General Fund on behalf of maintained schools. The ESG is funded by a topslice from the Revenue Support Grant with part of the topslice paid to Academies directly by the Education Funding Agency to allow them to make their own provision. A balance is then paid to local authorities on a per pupil basis as ESG.

The estimated figure represents a reduction of £3.3m compared with 2014/15. This is due to schools converting (known and estimated) to Academies which means funding is transferred as academies take on the responsibility for securing these services. 2015/16 has also seen a reduction in the rate at which grant is paid. However a large number of the Government assumed cost transfers are not readily achievable by the City Council. Therefore, this additional pressure has had to be addressed by the City Council in 2015/16, with £2.4m being provided corporately.

### **Troubled Families Grant - £5.2m**

The budget is an estimate of how much Birmingham could receive from being part of the expanded five year Troubled Families Programme from 2015/16. The programme aims to improve outcomes for children and intervene earlier in families with problems benefiting from an integrated whole family approach. The programme would continue to include families affected by poor school attendance, youth crime, anti-social behaviour and unemployment. However, it also aims to reach out to families with a broader range of problems including those affected by domestic violence and abuse and those families with a range of physical and mental health problems.

### **Other Directorate Revenue Grants**

In addition to the main grant funding streams, smaller specific grants continue to be received from the Government. Services will need to manage within the level of grant that they receive. A full breakdown of all grants the City Council expects to receive in 2015/16 can be seen in the table at the start of this Appendix.

### **Schools Funding**

Schools receive funding via a variety of different grant streams, the main ones being:

- Dedicated Schools Grant
- Pupil Premium
- Education Funding Agency
- Universal Infant Free School Meals (2014/15 Academic Year)

A summary of how schools' funding is applied can be seen in the Table below:-

### Schools' Funding Summary 2015/16

	DSG £m	Pupil Premium £m	Universal Infant FSM £m	EFA - Post 16 £m	Total £m
Schools Delegated	524.3	56.9	9.9	17.5	608.6
Early Years	76.5	0.0	0.0	0.0	76.5
High Needs Top-Up	72.3	0.0	0.0	0.0	72.3
Central	36.1	3.1	0.0	0.0	39.2
Sub-Total – City Council	709.2	60.0	9.9	17.5	796.6
Academies & other	365.5	32.3	4.0	0.0	401.8
Recoupment					
Total	1,074.7	92.3	13.9	17.5	1,198.4

### Dedicated Schools Grant (DSG) - £709.2m

DSG is allocated to Local Authorities in three blocks and local authorities are allowed to vire between the three blocks to address any specific needs or pressures. Birmingham has currently set its blocks at the following amounts – final allocations will not be confirmed until late February/ early March after consultation with Schools Forum.

### Allocation of Dedicated Schools Grant 2015/16

	Schools Block £m	Early Years Block £m	High Needs Block £m	Total £m
Schools Delegated	490.4	0.0	33.9	524.3
Early Years	0.0	76.5	0.0	76.5
High Needs Top-Up	0.0	0.0	72.3	72.3
Central	18.0	2.1	16.0	36.1
Sub-Total City Council DSG	508.4	78.6	122.2	709.2
Academies & other	346.8	0.0	18.7	365.5
recoupment				
Gross DSG	855.2	78.6	140.9	1,074.7

- Schools block (covering provision in mainstream schools from Reception to Year 11): Funding from the DfE is based on a funding rate per pupil, which for 2015/16 is £5,210.77, and pupil numbers derived from the October 2014 pupil census data. It also includes a transfer of £12.0m for Non Recoupment Academies (which includes Free Schools) – the intention being by the DfE to treat them the same as the convertor academies Birmingham has therefore set the schools block at £855.2m. Current estimates indicate that of this total, £346.8m will be recouped by the DfE for academies, and the balance of £508.4m will be available for maintained schools and remaining items of centrally managed commitments.

- Early Years block (covering nursery schools, nursery classes and private, voluntary and independent sector providers of early years provision(PVIs)): The allocation is for 3 and 4 year olds and is based on a rate per pupil (ie £5,212.79), and January 2014 pupil census data- which will be updated for January 2015 and January 2016 data. It also covers funding for centrally managed commitments but decisions on the exact amount will be subject to School Forum approval in February. The allocation currently excludes funding for 2 year olds as the DfE will only confirm indicative funding for 2 year olds in July 2015. In the interim the authority will be required to come up with its own estimate in order to issue indicative budgets to providers by 31<sup>st</sup> March 2015. The authority's working assumption for 2 year old funding is £17.1m.
- High Needs block (covering pupils with high needs – defined by the DfE as those requiring provision costing in excess of a given threshold – in special schools, resource bases, pupil referral units, and mainstream schools): The 2015/16 indicative allocation is £140.9m. The block covers post 16 high needs provision up to the age of 24 in recognition of the Council's new responsibilities in this area. It is to be noted that for Academies and Further Education providers, the first £10,000 of a pupil's funding will be paid directly to the relevant establishment by the Education Funding Agency (EFA). High Needs requirements in excess of that amount (the Top Up) will be met from the City Council's High Needs block. Current estimates indicate that £18.7m will be recouped by the DfE for special academies, resource bases in Academies and post 16 places, with the balance of £122.2m remaining for the maintained special schools, funding for the Top Up and other centrally managed commitments.

Further schools converting to academies will also reduce the level of DSG available to the City Council.

The current assumption in the Long Term Financial Strategy and Plan (LTFS and LTFP) is that services funded by DSG will manage within their grant allocations at whatever level this may be.

### **Pupil Premium Grant - £60.0m**

Pupil Premium is allocated to provide additional funding for pupils in receipt of free school meals. The 2015/16 grant is estimated at £92.3m of which £32.3m is for Academies with £60.0m retained by the City Council. It will apply to all pupils aged from 4 to 15 (year groups Reception to 11) who are:

1. Known to be eligible for free school meals (£1,320 per pupil in primary and £935 per pupil in secondary)
2. Looked After children- including children adopted from care (£1,900 per pupil)
3. Pupils whose parents are serving members of the armed forces (Service Children) (£300 per pupil)

For groups 1 & 3, allocations will be calculated on the basis of the January 2015 pupil census. Group 2 allocations will be calculated on the basis of the Children in Need census carried out on 31 March 2015. The City Council's internal estimate of the level of funding that will be received for children eligible for free school meals (group 1) is £89.2m of which £56.9m is attributable to maintained schools. £3.1m across groups 2 and 3 will be held centrally.

#### **Education Funding Agency - £17.5m**

In 2014/15 the City Council budgeted to receive £22.5m from the Education Funding Agency (EFA) to fund education and training of 16-19 year olds in sixth forms within schools. It is estimated that the City Council will receive a grant from the EFA of £17.5m in 2015/16.

#### **Universal Free School Meal Grant - £9.9m**

The grant was introduced for the 2014/15 Academic Year and is paid to schools to enable them to provide free school meals for pupils in Reception to Year 2. The City Council is currently assuming that the grant will continue into the 2015/16 Academic year. The £13.9m breaks down between £4.0m to Academies and £9.9m to the local authority.

#### **Grants to Reimburse Expenditure - £551.0m**

The City Council receives a number of grants to reimburse costs incurred, mainly in paying benefit claimants. Whilst these form part of the gross budget of the City Council, the level of expenditure is determined by claimant demand and eligibility. Payments made to claimants are closely matched by any grant received. The grants to fund benefit expenditure expected to be received by the City Council in 2015/16 can be seen in the Table at the start of this Appendix.

**Appendix 3B: Long-term Financial Plan 2015/16 – 2024/25**

<b>Long-Term Financial Plan 2015/16 - 2024/25</b>										
<b>Movement from 2014/15 Base Budget</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>
Resources Base Budget 2014/15	964.937	964.937	964.937	964.937	964.937	964.937	964.937	964.937	964.937	964.937
Business Rates	2.627	7.572	10.292	22.398	28.943	35.684	42.628	49.779	57.146	64.733
Top Up Grant	2.363	4.379	7.580	10.861	14.223	17.670	21.203	24.825	28.537	32.342
Revenue Support Grant	(107.970)	(193.040)	(253.407)	(291.691)	(323.521)	(324.008)	(324.551)	(325.150)	(325.807)	(326.525)
Council Tax	9.444	15.420	21.528	27.770	34.152	40.673	47.338	54.150	61.111	68.228
Collection Fund Business Rates	1.117	(1.551)	(1.551)	3.201	3.201	3.201	3.201	3.201	3.201	3.201
Collection Fund Council Tax	2.023	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061
<b>Total Resources</b>	<b>874.541</b>	<b>798.778</b>	<b>750.440</b>	<b>738.537</b>	<b>722.996</b>	<b>739.218</b>	<b>755.817</b>	<b>772.803</b>	<b>790.186</b>	<b>807.977</b>
Base Budget 2014/15	964.937	964.937	964.937	964.937	964.937	964.937	964.937	964.937	964.937	964.937
Pay & Price Inflation	4.594	25.878	40.175	54.447	67.867	81.633	96.043	111.121	126.897	143.646
Meeting Policy Choices and Pressures	44.815	55.877	77.069	71.877	83.713	92.594	98.160	105.137	112.139	120.919
Corporate Adjustments:										
Net Repayment to Corporate Reserves	(0.830)	31.348	7.576	37.985	30.022	23.561	25.639	28.023	30.641	30.542
Corporately Managed Budgets	(28.045)	(3.256)	23.246	(6.659)	(8.290)	(11.761)	(14.401)	7.991	8.936	7.772
Changes in Corporate Government Grants	(5.530)	(3.884)	(3.884)	(3.884)	(3.884)	(3.884)	(3.884)	(3.884)	(3.884)	(3.884)
Savings Requirement	(105.400)	(272.122)	(358.679)	(380.166)	(411.369)	(407.862)	(410.677)	(440.522)	(449.480)	(455.955)
<b>Total Spend</b>	<b>874.541</b>	<b>798.778</b>	<b>750.440</b>	<b>738.537</b>	<b>722.996</b>	<b>739.218</b>	<b>755.817</b>	<b>772.803</b>	<b>790.186</b>	<b>807.977</b>
<b>Gap</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Savings Summary</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>
<b>Total Savings Requirements</b>	<b>105.400</b>	<b>272.122</b>	<b>358.679</b>	<b>380.166</b>	<b>411.369</b>	<b>407.862</b>	<b>410.677</b>	<b>440.522</b>	<b>449.480</b>	<b>455.955</b>
Further Step-Up From 2015/16	0.000	166.722	253.279	274.766	305.969	302.462	305.277	335.122	344.080	350.555
Of Which Identified in Savings Plans	0.000	41.592	55.120	57.532	58.852	59.782	57.352	57.352	57.288	57.288
<b>Further Savings to be Identified</b>	<b>0.000</b>	<b>125.130</b>	<b>198.159</b>	<b>217.234</b>	<b>247.117</b>	<b>242.680</b>	<b>247.925</b>	<b>277.770</b>	<b>286.792</b>	<b>293.267</b>
<b>Annual Savings Requirement</b>	<b>105.400</b>	<b>166.722</b>	<b>86.557</b>	<b>21.487</b>	<b>31.203</b>	<b>(3.507)</b>	<b>2.815</b>	<b>29.845</b>	<b>8.958</b>	<b>6.475</b>
<b>Of Which Identified in Savings Plans</b>	<b>105.400</b>	<b>41.592</b>	<b>13.528</b>	<b>2.412</b>	<b>1.320</b>	<b>0.930</b>	<b>(2.430)</b>	<b>0.000</b>	<b>(0.064)</b>	<b>0.000</b>
<b>Further Annual Savings to be Identified</b>	<b>0.000</b>	<b>125.130</b>	<b>73.029</b>	<b>19.075</b>	<b>29.883</b>	<b>(4.437)</b>	<b>5.245</b>	<b>29.845</b>	<b>9.022</b>	<b>6.475</b>

**Appendix 3C: Council Tax 2015/16**

The information received in respect of precepts can be seen in the table below.

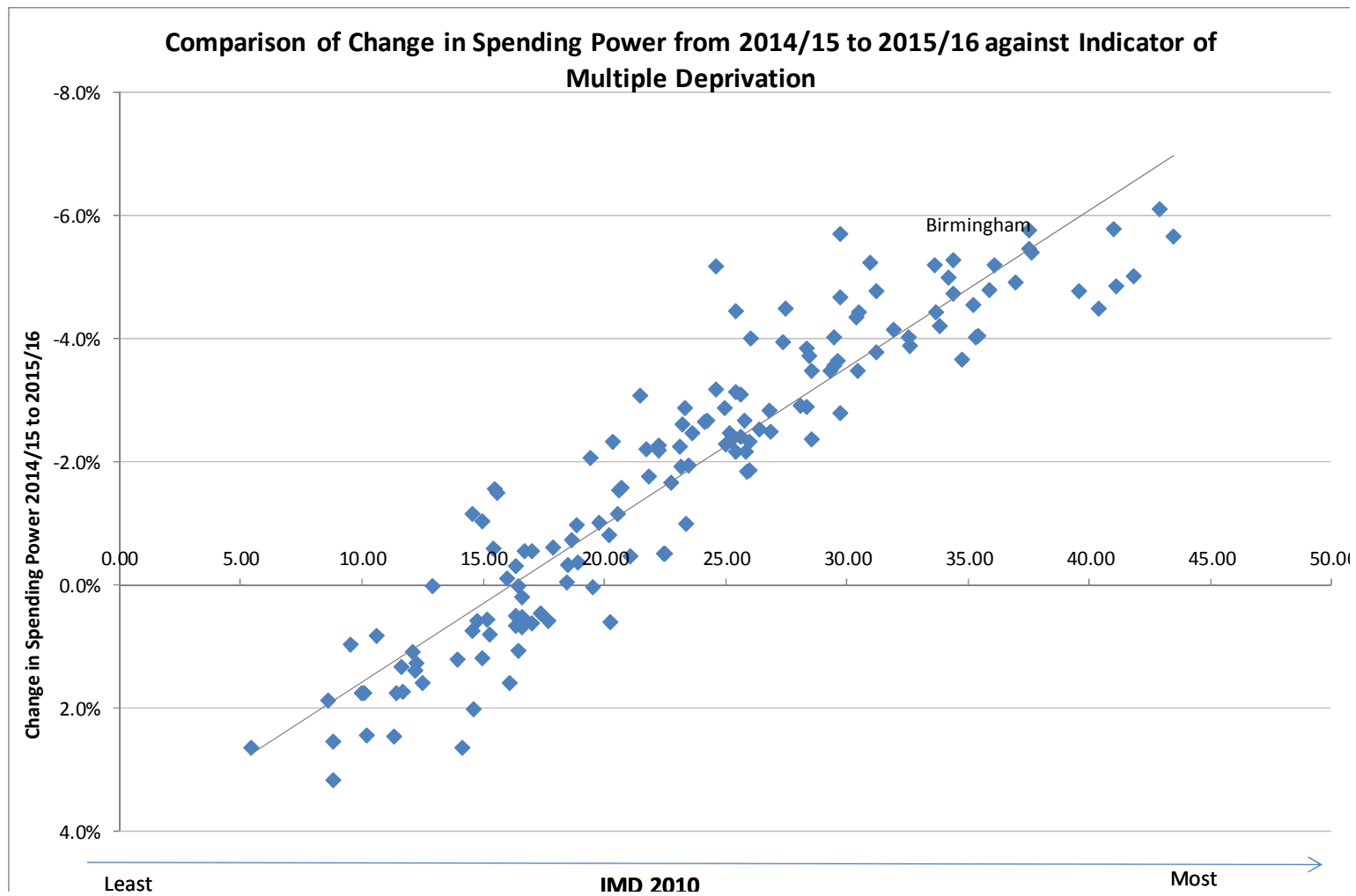
	City Council £m	Fire and Rescue Authority £m	Police & Crime Commissioner £m	Parish Precept £m
City Council Net Budget	874.541			
Less: Redistributed Non-domestic rates, Top-Up Grant and Revenue Support Grant	602.404			
<b>Equals: amount required from Collection Fund</b>	<b>272.137</b>			
Less: estimated surplus in Collection Fund	0.962			
<b>Equals: amount required from council tax payers</b>	<b>271.175</b>	<b>12.860</b>	<b>24.942</b>	<b>0.043</b>
Divided by taxbase (Band D equivalent properties)	234,089	234,089	234,089	1,300
<b>Equals: Band D Council Tax</b>	<b>£1,158.43</b>	<b>£54.94</b>	<b>£106.55</b>	<b>£33.30</b>
Percentage Change in each element of Council Tax	1.99%	1.99%	1.99%	-20.26%
<b>Total Band D Council Tax</b>			<b>£1,319.92</b>	<b>£1,353.22</b>

The detailed Council Tax levels for each property band in Birmingham are:

Band	City Council incl. Parish Precept £	Fire and Rescue Authority £	Police & Crime Commissioner £	Total incl. Parish Precept £	City Council excl. Parish Precept £	Fire and Rescue Authority £	Police & Crime Commissioner £	Total excl. Parish Precept £
A	794.49	36.62	71.03	902.14	772.29	36.62	71.03	879.94
B	926.90	42.73	82.87	1,052.50	901.00	42.73	82.87	1,026.60
C	1,059.32	48.83	94.71	1,202.86	1,029.72	48.83	94.71	1,173.26
D	1,191.73	54.94	106.55	1,353.22	1,158.43	54.94	106.55	1,319.92
E	1,456.56	67.14	130.23	1,653.93	1,415.86	67.14	130.23	1,613.23
F	1,721.39	79.35	153.91	1,954.65	1,673.29	79.35	153.91	1,906.55
G	1,986.22	91.56	177.58	2,255.36	1,930.72	91.56	177.58	2,199.86
H	2,383.46	109.87	213.10	2,706.43	2,316.86	109.87	213.10	2,639.83



### Appendix 3D: Comparison of change in local authority spending power from 2014/15 to 2015/16 against Index of Multiple Deprivation (IMD 2010)



## Appendix 3E: Pressures Schedule

<b>Investment in Policy Priorities and Pressures Schedule</b>				
<b>Directorate</b>	<b>Existing or New</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
		£m	£m	£m
<b>Economy Directorate</b>				
Business Transformation costs and repayments	Existing	0.323	0.273	0.071
Library of Birmingham	Existing & New	2.750	2.750	2.750
ICT	Existing & New	0.315	(5.486)	(3.330)
Residual Income Target	New	1.006	1.006	1.006
Change in Accounting treatment/Council Tax Recovery	New	1.000	1.000	1.000
Services transferring to ACIVICO	New	0.856	0.856	0.856
Integrated Transport Authority Levy	New	(0.059)	(1.348)	(2.637)
Reduction in Environment Agency Levy	New	(0.001)	(0.001)	(0.001)
<b>Sub-total Economy Directorate</b>		<b>6.190</b>	<b>(0.950)</b>	<b>(0.285)</b>
<b>People Directorate</b>				
Adult Social Care Demographic Increase	Existing	6.482	13.078	19.747
Falling Out of time limited Extra Care Housing Support	Existing	(0.200)	(0.200)	(0.200)
Investment in Children's Social Care Services	Existing	2.856	2.856	2.856
Children's Social Care	New	21.500	26.241	28.495
Falling out of Children's Homes Interim Arrangements and Service Redesign Pressure	Existing	(1.130)	(1.130)	(1.130)
Education Services Grant Reduction	Existing & New	2.426	1.426	0.826
Education and Schools Strategy Improvement Plan	New	2.057	1.661	1.661
<b>Sub-total People Directorate</b>		<b>33.991</b>	<b>43.932</b>	<b>52.255</b>
<b>Place Directorate</b>				
Waste Disposal Costs	Existing	0.730	1.056	1.812
Highways Horticultural maintenance	Existing	0.060	0.120	0.120
Sports & Leisure Service	Existing & New	(0.095)	(0.479)	(0.402)
Wholesale Markets	Existing & New	0.028	(0.071)	1.172
Alexander Stadium	New	1.200	1.200	1.200
FWM Paper Income	New	1.500	1.500	1.500
Highways Maintenance Pensions Costs	New	0.370	0.386	0.403
Street Cleaning	New	1.500	1.500	1.500
Community Initiative Fund	New	0.000	2.000	2.000
CCTV Camera Maintenance	New	0.100	0.000	0.000
<b>Sub-total Place Directorate</b>		<b>5.393</b>	<b>7.212</b>	<b>9.305</b>
<b>Corporate</b>				
Change in Policy Contingency	Existing	0.991	0.989	0.989
Cost of Redundancy	Existing & New	(1.357)	(1.334)	(0.257)
Pension Fund Deficit Recovery	Existing & New	(2.717)	1.286	2.637
Business Charter for Social Responsibility	Existing & New	1.650	3.844	6.029
Autoenrolment pension scheme	Existing	0.000	0.000	5.286
Highways Infrastructure Maintenance	New	0.250	0.500	0.750
Carbon Reduction Commitment	New	0.424	0.398	0.360
<b>Sub-total Corporate</b>		<b>(0.759)</b>	<b>5.683</b>	<b>15.794</b>
<b>Total Policy Priorities and Pressures</b>		<b>44.815</b>	<b>55.877</b>	<b>77.069</b>

**Appendix 3F: Directorate Savings**

<b>Summary Savings Schedule</b>			
<b>Summary of Savings</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>People Directorate</b>			
Existing Plans	(28.033)	(50.423)	(50.423)
New Savings	(29.708)	(34.322)	(33.522)
<b>Total People Directorate</b>	<b>(57.741)</b>	<b>(84.745)</b>	<b>(83.945)</b>
<b>Place Directorate</b>			
Existing Plans	(3.158)	(3.487)	(3.487)
New Savings	(16.342)	(17.803)	(21.343)
<b>Total Place Directorate</b>	<b>(19.500)</b>	<b>(21.290)</b>	<b>(24.830)</b>
<b>Economy Directorate</b>			
Existing Plans	(3.949)	(4.958)	(5.208)
New Savings	(23.387)	(35.176)	(45.714)
<b>Total Economy Directorate</b>	<b>(27.336)</b>	<b>(40.134)</b>	<b>(50.922)</b>
<b>Corporate Savings</b>			
Existing Plans	(0.823)	(0.823)	(0.823)
<b>Total Corporate Savings</b>	<b>(0.823)</b>	<b>(0.823)</b>	<b>(0.823)</b>
<b>Total Council Existing Plans</b>	<b>(35.963)</b>	<b>(59.691)</b>	<b>(59.941)</b>
<b>Total Council New Savings</b>	<b>(69.437)</b>	<b>(87.301)</b>	<b>(100.579)</b>
<b>Total Council Savings</b>	<b>(105.400)</b>	<b>(146.992)</b>	<b>(160.520)</b>

**Appendix 3F: Directorate Savings**

Savings Proposal		2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
<b>PEOPLE DIRECTORATE</b>					
<b>Existing Plans</b>					
P1	Schools Trading	(1.000)	(1.000)	(1.000)	Implementing a new business model as part of the Education Improvement Plan.
P2	Adults – Business Transformation	(7.384)	(13.109)	(13.109)	These step-ups represent the continued anticipated increases in benefits from the Adults and Communities Transformation programme. These increases are partly off-set by additional resources which are included in budget pressures to reflect the increased number and costs of care packages arising from demographic change.
P3	Changes to Specialist Care Services – Residential Care	(0.287)	(0.349)	(0.349)	Impact of revised staffing at the Council’s four Care Centres and respite units through reshaping or commissioning any service that does not demonstrate better outcomes or unit costs than an external service would.
P4	Changes in internal services – Older Adult Day Care & Elder Group	(0.097)	(0.121)	(0.121)	Additional savings projected from improved utilisation of internal day care facilities at the Council’s 4 Care Centres and existing Day centres.
P5	Changes to internal services – Learning Disability Day Care	(0.250)	(0.349)	(0.349)	Additional savings projected from improving the utilisation of Council-run day care facilities for people with Learning Disabilities.
P6	Expansion of internal services – Shared Lives	(1.791)	(3.576)	(3.576)	Additional savings projected from expanding the number of Shared Lives Placements on offer.
P7	Changes in internal services – Home Care Enablement	(1.050)	(2.530)	(2.530)	The proposal is to extend Enablement to existing service users receiving external home care provision so that their packages of care can be reduced by increasing their independence.
P8	Further reduction in Younger Adults Care Packages	(2.966)	(11.672)	(11.672)	Additional savings projected through re-assessment of younger adult care packages and encouraged to take either a Shared Lives Placement or a Direct Payment at a lower unit cost.

Savings Proposal		2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
P9	Joint Adults and Children's approach to transitions	(1.000)	(2.000)	(2.000)	The proposal is to establish a joint approach to transitions between Adults & Communities and Children, Young People & Families so that children's social care and adult social care work in a far more integrated way. The Council will also re-assess young people aged 18-25 years who have already moved into adult services.
P10	Reductions in Adults Running Costs	(0.000)	(1.111)	(1.111)	This relates to an unallocated target saving in running costs. This will be managed through reducing supplies and services budgets across the Directorate.
P11	Previous Proposals to Reshape Services	(1.663)	0.504	0.504	Previous budget proposals had anticipated the fall out of funding transferred from health to support social care (s256 funding). This had been off-set by plans to reshape services. These changes have now been replaced by the Older Adults Integration Programme and Better Care Fund and these elements will be absorbed into the financial projections arising from these initiatives.
P12	Step 1: Supporting People – integrated commissioning	(0.600)	(0.600)	(0.600)	Following the re-commissioning of Substance Misuse contracts, future support for people with substance misuse will be delivered through an integrated pathway with public health treatment and recovery services. There will no longer be a standalone service for substance misuse housing support. Housing support for related issues, such as homelessness, will be available whilst service users are receiving or following treatment for substance misuse.
P13	Step 2: Supporting People – Older People	(2.800)	(2.800)	(2.800)	The full year effect of stopping funding for all Supporting People housing support services for Older People in sheltered/extra care schemes.
P14	Step 1: Public Health – Commissioning	(1.250)	(2.500)	(2.500)	Fall out of non-recurring contract costs and liabilities and costs of recommissioning.
P15	Step 2: Public Health – Decommissioning	(5.895)	(9.210)	(9.210)	Savings from recommissioning of Substance Misuse and Sexual Health services.

Savings Proposal		2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
<b>Subtotal existing plans</b>		<b>(28.033)</b>	<b>(50.423)</b>	<b>(50.423)</b>	
<b>New Savings</b>					
P16	Assessment and Support Planning	(5.468)	(7.807)	0.593	We are not proposing to change the amount spent on assessment and support planning. The integration resulting from the Government's Better Care Fund Programme is anticipated to provide some savings through joint working. This, combined with some money previously set aside by the NHS to support adult social care will enable us to keep this budget at its current level over the next two years.
P17	Third Sector Commissioning	(0.982)	(1.082)	(2.182)	We are proposing to reduce the budget for third sector services. More specifically to: <ul style="list-style-type: none"> <li>• re-commission services for older adults, learning disabilities and mental health service users, with a clear intention of reducing the unit cost of delivery and of maximising independence, potentially through the extension of befriending as an alternative to day centre provision</li> <li>• decommission all of the services currently providing information and advice, with the exception of general advocacy</li> </ul> We are not suggesting changes to the funding of counselling or domestic violence services. Neither will HIV or Drug and Alcohol services be changed as they have very recently been re-commissioned at lower cost.
P18	Health and Wellbeing (including Healthwatch)	(0.354)	(0.354)	(0.354)	This proposal has two elements: a management restructure and a 30% reduction in the value of the services contracted from Healthwatch.
P19	Specialist Care Service (internally delivered care services)	(3.300)	(3.600)	(4.800)	We continue to look at options to transfer this service into a social enterprise. In addition, we have undertaken a fundamental review of in-house care services, so that we only provide services in-house that offer better value for money, prevent or delay the need for more expensive care and cannot currently be provided effectively by external providers.

Savings Proposal	2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
				<p>This will mean the in-house service will predominately focus on: Reablement for Adults with a Learning Disability, Day Care (for all client groups especially those with a Learning Disability), Dementia Care for Older Adults, Enablement for Older Adults, Statutory services (Funerals and Occupational Therapy).</p> <ul style="list-style-type: none"> <li>• We are proposing to externalise the provision of extra care sheltered accommodation and night care services on a phased basis.</li> <li>• We are proposing stop the Community Links, Star and Community Options services and review services for the visually impaired, Shared Lives and Shared Friends. We will suggest and consult on changes to these services following the review.</li> <li>• We will be able to reduce the size of the management team if the services above are stopped/ commissioned externally.</li> </ul>
P20 Supporting People	(0.000)	(3.300)	(3.300)	<p>We are proposing to reduce funding for people with Physical and Sensory Disabilities in 2016/17. At the same time we will commission a redesigned “disability housing support service”. The new service would be for Adults with a Mental Health Need or a Learning, Physical or Sensory Disability. It would aim to retain some of the supported accommodation currently available in the City and also give some capacity to support people living within their own homes. This would enable prevention support to be delivered to people living in the community at risk of increased statutory care interventions and homelessness.</p>
P21 Education Capital Financing	(12.010)	(7.310)	(7.310)	<p>This is a proposal to use innovative financial management around how schools expenditure is accounted for, without impacting on their day to day spending.</p> <p>It covers capital expenditure undertaken by the council’s maintained schools from their Dedicated Schools Grant (DSG) budget or reserves. The DSG is a central government grant paid to the council that can only be spent to support school budgets and prescribed frontline</p>

Savings Proposal	2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
				<p>services/commitments.</p> <p>The proposal does not in any way impact on academies, which have separate funding arrangements.</p> <p>Council-maintained schools form part of the council's budget and the things they own should be accounted for on the council's balance sheet. This proposal provides an opportunity for the council to use slippage on its capital programme to fund expenditure that schools have previously used DSG to pay for. One of the key advantages of this plan is that it will generate sufficient savings to cover the private Finance Initiative (PFI) affordability gap which the council was seeking to fund from DSG. This is considered to be a better means of making the saving set out in the Council Plan 2014+ than simply topslicing DSG.</p>
P22 Early Years	(5.000)	(6.000)	(10.100)	<p>We are proposing to transform services for young children and families. The aim is to achieve better outcomes for young children and families for the level of resource we have, but to spend less and to close some services as our overall budget reduces. The transformation plan will include early years' services, children's centres, nurseries, the Think Family programme, and the opportunities provided by health visiting services transferring to the city council.</p> <p>This is a significant piece of work being undertaken with partners and stakeholders and we don't yet have firm proposals about what services will look like in the future but we expect:</p> <ul style="list-style-type: none"> <li>• Children's centres will need to offer more targeted services rather than universal services (focusing services on those with the greatest need, rather than offering a service to all families).</li> <li>• The central support team will need to be restructured.</li> <li>• There are likely to be more commissioned services, rather than services provided directly by the council.</li> </ul>



Savings Proposal	2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
P23 Home to School Transport	(0.390)	(1.100)	(2.300)	<p>We are proposing to:</p> <ul style="list-style-type: none"> <li>• Ensure home to school policy is strictly adhered to at assessment and appeal – this will mean we only provide home to school transport where we have a statutory duty to.</li> <li>• Look at our transport procurement and commissioning to ensure we are using the most cost effective and efficient arrangements, whether this is externally commissioned transport or using our own fleet.</li> <li>• Promote use of Personal Transport Budgets. This is where we make a payment to someone to organise their own transport where this appropriate for a family, rather than the council organising it for them.</li> <li>• Promote independent travel where appropriate; enabling people to use public transport rather than rely on specialised transport vehicles.</li> <li>• Assess if pupil guides (who accompany children and young people to school on public transport) could be externally commissioned, rather than being directly employed by the council</li> </ul>
P24 Unattached School Playing Fields	(0.268)	(0.268)	(0.268)	<p>Birmingham has 33 unattached education playing fields, intended to provide external play and sports provision for schools lacking their own paying fields and outdoor facilities. Some of these are used by schools and the community for formal sports activity, e.g. football and some are used as public open space rather than for formal activity. Where playing fields are used for sporting activity (e.g. football), and there is interest from a local organisation, we are proposing to transfer the site on a lease arrangement. Where there is no interest from local organisations to take on a site the options for disposal or reducing maintenance costs will be considered.</p>
P25 Homelessness	(0.200)	(0.550)	(0.550)	<p>We are proposing to reduce this budget to bring it in line with Local Authorities considered as best in class in relation to the cost of their homelessness service. We will do this by reviewing the service, including services delivered by commissioned partners.</p>

Savings Proposal	2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
P26 Public Health	(1.736)	(2.951)	(2.951)	<p>We have looked at what we spend our Public Health budget on and discussed this with the NHS.</p> <p>We are proposing to re-commission some of the contracts we have and change the specification of others. The key changes we are considering are:</p> <ul style="list-style-type: none"> <li>• Targeting 'lifestyle services' (such as stop smoking, weight management and physical activity services) at those who will benefit most from them, rather than offer the same service to everyone</li> <li>• Changes to the school nursing service</li> <li>• Focussing any new investments on early years, promoting independence in the elderly, especially after a fall, and getting people with enduring mental health problems back to work</li> </ul> <p>We recently re-commissioned Substance Misuse and Sexual Health services. We saved about £2.9m more through this exercise than we expected when we consulted on the budget last year and so are able to count this as new savings this year.</p> <p>The amount we spend on Public Health is ring fenced. This means that we are told how much we have to spend on Public Health and we need to spend all of it on Public Health activities. This means that any savings we make will be spent on other activities that will improve Public Health. We are proposing to spend £1m of the saving on Environmental Health services and to commission a Debt, Housing and Health Advice service. We are considering how the remaining money should be spent.</p> <p>Last year's budget proposals also included plans to make a number of other proposals which will now be put in place for 2015/16. These are:</p> <p>a) Support to a small number of schools regarding teenage pregnancy will be ceased. This is because the teenage pregnancy rate has dropped across the city to the national average and the new sexual health system will be asked to work in areas of very high rates which may</p>

<b>Savings Proposal</b>	<b>2015/16 Saving £m</b>	<b>2016/17 saving £m</b>	<b>2017/18 saving £m</b>	<b>Description</b>	
				change over time. b) Support for those with sexual dysfunction due to psycho-social problems will be ceased. This is because this is not the responsibility of the local authority c) It is proposed that the Public Health service will discontinue support for two community projects, namely Castle Vale and Saltley/Alum Rock. Whilst this will affect those communities, support is not provided for other communities from the Public Health allocation. d) It is proposed to reduce third sector infrastructure support.	
<b>Subtotal New Savings</b>	<b>(29.708)</b>	<b>(34.322)</b>	<b>(33.522)</b>		
<b>Total People Savings</b>	<b>(57.741)</b>	<b>(84.745)</b>	<b>(83.945)</b>		
<b>Place Directorate</b>					
<b>Existing Plans</b>					
PL1	District Savings – Business Support	(0.400)	(0.400)	(0.400)	Review of all back office functions (staffing, accommodation and IT) that support the District Services (in line with similar services in the Council)
PL2	District Savings – Children’s Play	(0.042)	(0.042)	(0.042)	Residual savings from the discontinuation of the service.
PL3	District Savings – Community Chest	(0.100)	(0.100)	(0.100)	Further reductions on the residual Community Chest resources.
PL4	District Savings – Community Development	(0.240)	(0.240)	(0.240)	The continuing review of the existing property portfolio and will include disposal, co-location with other public services and community asset transfer.
PL5	District Savings – Community Libraries	(0.341)	(0.341)	(0.341)	The continued implementation of the future model for service delivery (to discharge statutory obligations).
PL6	District Savings – Neighbourhood Advice	(0.290)	(0.290)	(0.290)	The continued implementation of the future model for service delivery (to discharge statutory obligations).

<b>Savings Proposal</b>		<b>2015/16 Saving £m</b>	<b>2016/17 saving £m</b>	<b>2017/18 saving £m</b>	<b>Description</b>
PL7	District Savings – Youth Services	(0.024)	(0.024)	(0.024)	The continued implementation of the future model for service delivery (to discharge statutory obligations).
PL8	District Savings – Other Services	(0.995)	(0.995)	(0.995)	A range of other proposals including income generation (Districts Engineers), disposal of underutilised local car parks.
PL9	FWM – Street Cleansing Awareness Programme	(0.100)	(0.200)	(0.200)	Promotion and development of awareness initiatives to reduce the level of refuse generated, improve recycling and to reduce landfill.
PL10	Highways – Floral Decorations	(0.055)	(0.110)	(0.110)	A reduction in shrub beds with no amenity value and hanging baskets in the City Centre.
PL11	Residual Savings on Operating Costs across the Directorate	(0.263)	(0.432)	(0.432)	Savings to be made across the Directorate as a result of previous years' Business Transformation Efficiency Programmes.
PL12	Parks & Nature – Allotments Service	(0.014)	(0.019)	(0.019)	The proposals will ensure that the service is delivered on a self-financing basis following consultation with Birmingham and Districts Confederation (BDAC).
PL13	Regulatory Services – Environmental Health	(0.172)	(0.172)	(0.172)	A continued reorganisation with impacts on staff numbers. The impact on services will be minimised to protect the statutory obligations of the Council and to ensure that these continue to be effectively discharged.
PL14	Regulatory Services – Trading Standards	(0.122)	(0.122)	(0.122)	This proposal will require a continued reorganisation of the service and a reduction in the number of officers that will be able to support and enforce the regulations.
<b>Subtotal Existing Plans</b>		<b>(3.158)</b>	<b>(3.487)</b>	<b>(3.487)</b>	
<b>New Savings</b>					
PL15	Home Adaptations Service	(0.057)	(0.057)	(0.057)	We are proposing to pay for some of this service from the Housing Revenue Account. This is a separate part of our budget that shows income and expenditure on council housing. There are strict rules about what can be paid for from this, but the rules would allow us to use it to cover part of the Adaptations Service.

Savings Proposal		2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
PL16	Bereavement Services	(1.120)	(1.060)	(1.440)	We are proposing to: <ul style="list-style-type: none"> <li>increase fees and charges for burials and cremations by 2% and 9% respectively in each of the next 3 years</li> <li>Rephase the development of Sutton New Hall Cemetery to 2016/17</li> <li>Reduce employee costs (by deleting vacancies) and operational costs – estimated £0.3m per annum on an ongoing basis)</li> </ul>
PL17	Coroner and Mortuary	(0.283)	(0.378)	(0.378)	We are proposing to control costs and renegotiate contracts.
PL18	Registrar's Office	(0.100)	(0.100)	(0.100)	The Registrar Service will continue to discharge our statutory obligations (despite additional volumes from neighbouring authorities). The savings will be made by reducing operational costs and generating extra income on non-statutory services e.g. genealogy and hire of rooms.
PL19	Licensing	(0.339)	(0.431)	(0.524)	These services relate to private hire and entertainment licensing (the fees and charges are partially set by central government). The local authority is required to ensure that all costs are covered by charges. The savings will be delivered through the proposed increase in fees & charges and will no longer require the use of reserves.
PL20	Birmingham Careers Service (Connexions)	(0.337)	(0.468)	(0.602)	We are proposing to focus the service on young people not in employment, education or training (NEET), signposting others to alternative services. We are further developing our approach to helping all young people into employment and training through the Birmingham Youth Promise.
PL21	Refuse Collection and Waste Disposal	(1.500)	(1.500)	(1.500)	We are proposing to: <ul style="list-style-type: none"> <li>Increase the fees and charges for our trade waste services by 8% in 2015/16 (on the assumption that current volumes of customers are maintained). There are no further step ups proposed in 2016/17 and future years.</li> <li>reductions in operational costs including vehicle hire and discontinuing uneconomic services e.g. glass collection and cesspit services</li> </ul>

Savings Proposal	2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
PL22 Flood Risk Services	(0.132)	(0.185)	(0.238)	<p>We are proposing to reduce the amount of maintenance we do on flood risk assets. These are structures that have been specifically built as a flood defence or that act informally as flood defence. This includes things such as the grills that cover drainage pipes, weirs, flood defence barriers and bridges next to watercourses.</p> <p>We are also proposing to reduce the service to a 'statutory minimum level', only undertaking work that we are legally required to.</p>
PL23 Pest Control	(1.300)	(1.300)	(1.300)	<p>We are proposing to move to a fully rechargeable Pest Control service. This will include domestic pest control except for rats which will remain a free service.</p>
PL24 Private Sector Housing	(0.211)	(0.211)	(0.258)	<p>We are proposing to reduce the number of staff. We are also proposing to use the affordable homes element of New Homes Bonus to help fund action on empty property. This is a payment made to Local Authorities when they increase the number of affordable homes in their area.</p>
PL25 New Homes Bonus	(0.125)	(0.177)	(0.230)	<p>We are proposing to reduce the "affordable housing" element of New Homes Bonus allocated for housing investment (substantially support to Birmingham Municipal Housing Trust programme).</p>
PL26 Markets	(1.000)	(1.000)	(1.000)	<p>We are proposing to increase in fees and charges by 5% in 2015/16 and 2% for the following 2 years. It is also anticipated that there will be an increase in the number of traders at the Open Market and Rag Market and the number of car boot sales and street trading activity and savings in operational costs.</p>
PL27 Community Events	(0.668)	(0.835)	(0.835)	<p>The proposal is to withdraw subsidies from all community events, except the Lord Mayor's Show and to support these events in kind in future with officer support.</p>
PL28 Parks and Nature Conservation	(0.572)	(0.572)	(0.572)	<p>We have a number of distinct proposals:</p> <ul style="list-style-type: none"> <li>• Discontinue the maintenance of bowling greens across District and strategic parks (as detailed in the fact sheets)</li> <li>• Secure additional grant from the English Cricket Board and the Birmingham Cricket League (subject to a three year agreement).</li> </ul>

Savings Proposal	2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
				<ul style="list-style-type: none"> <li>• Secure modest funding from the Football Association.</li> <li>• Realign the funding of play areas in and around housing estates</li> <li>• introduce car parking fees at the major strategic and country parks e.g. Cannon Hill, Lickey Hills, Perry and Rectory Parks and extending arrangements at Sutton Park</li> </ul> <p>Other efficiencies – primarily the deletion of a vacant part-time post</p>
PL29 Sport	(0.107)	(0.151)	(0.195)	<p>We are proposing to</p> <ul style="list-style-type: none"> <li>• Focus on delivering health outcomes, which will enable the service to continue receiving support from the Public Health Service</li> <li>• Review site maintenance requirements on the sites we will directly manage after April 2015</li> <li>• Reduce back office support once new technology is in place from 2016 onwards.</li> </ul>
PL30 Community Safety and Equalities	(0.243)	(0.430)	(0.565)	<p>We are proposing to deliver the saving by reducing external commissioning, operational costs and staff savings in the Safer Places Teams (estimated 2 posts through vacancy management).</p>
PL31 Emergency Planning and CCTV	0.000	(0.379)	(0.379)	<p>We have deferred the planned saving in this area whilst we explore the potential for new arrangements with partners. These new arrangements will aim to deliver in full the savings proposed for 2016/17 onwards.</p>
PL32 Highways Maintenance	(0.200)	(1.500)	(2.800)	<p>We are proposing to:</p> <ul style="list-style-type: none"> <li>• Re-finance the PFI contract</li> <li>• Reduce capital expenditure</li> <li>• Reduce routine and reactive maintenance.</li> </ul> <p>This would all need to be negotiated with the service provider, Amey and the Department for Transport.</p>

Savings Proposal		2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
PL33	Parking	(1.000)	(1.200)	(1.400)	We are proposing to: <ul style="list-style-type: none"> <li>• increase off-street car parking charges (estimated at 10% in 2015/16 and 2% per annum subsequently)</li> <li>• Increase on-street car parking (estimated at 8% in 2015/16 and 2% per annum subsequently)</li> <li>• Savings from the new parking enforcement contract delivered by external contractors (approved by Cabinet in November 2014)</li> </ul>
PL34	Regulation of Street Works	(0.168)	(0.168)	(0.168)	We are proposing to: <ul style="list-style-type: none"> <li>• Work with Amey (our highways maintenance service provider) to identify cases where street works over run and charge the organisation that has over run</li> <li>• Ensuring that all relevant charges are made to cover the full cost of the services in line with the related rules and policies</li> </ul>
PL35	Traffic Regulation	(0.012)	(0.017)	(0.022)	We are proposing to introduce a map based system to manage traffic regulation order requests and increase the efficiency of the service.
PL36	Highways Customer Support Unit	(0.050)	(0.071)	(0.092)	We are proposing to reduce the retained overheads from the Security Service supporting the Highways and Resilience Service
PL37	Voluntary Sector Advice	(0.655)	(0.635)	(0.635)	A reduction in the support provided to the Service (alternative funding including support through Public Health has been identified to ensure the current service until January 2016 pending the completion of a more fundamental review for the future).
PL38	Use of Reserves	(2.000)	0.000	0.000	Use of Reserves on a one-off basis relating to essential maintenance works on the Highway Infrastructure (will need to be reinstated in the future)
PL39	Staffing Reductions across the Directorate	(0.150)	0.000	0.000	This will be managed through vacancy management



Savings Proposal		2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
PL40	District Services	(4.013)	(4.978)	(6.053)	These services will be managed through the new proposed governance framework of the City Council and by Cabinet Members and we are proposing to: <ul style="list-style-type: none"> <li>to cease the provision of existing community play services and securing delivery through alternative arrangements in the private and voluntary sector</li> <li>the current Community Chest will be discontinued from 2015/16</li> <li>the development of a new service including potential transfer of facilities to communities and discontinuing existing service provision the development of a new future operating model to meet statutory requirements (including the potential development of a staff mutual organisation)</li> <li>the development of a new operating model that focuses on 4 homelessness hubs to ensure that our statutory obligations are delivered</li> <li>refocusing the provision on the existing and the recently developed sites (including potential transfer to community organisations)</li> <li>these savings will be delivered from a range of services from District Engineers, Local Car Parks and existing staffing structures for District Services</li> </ul>
<b>Subtotal New Savings</b>		<b>(16.342)</b>	<b>(17.803)</b>	<b>(21.343)</b>	
<b>Total Place Savings</b>		<b>(19.500)</b>	<b>(21.290)</b>	<b>(24.830)</b>	
<b>Economy Directorate</b>					
<b>Existing Plans</b>					
E1	Bringing together teams within the City Council and reduce the management	(0.020)	(0.040)	(0.040)	It is proposed to bring together a number of different service areas, and in doing so reduce the overall cost to deliver services through reduced staff costs and overheads. This will focus on, in particular;

Savings Proposal	2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
overhead/back office cost of service delivery				<p>- Having a single team to oversee both highways and transport issues</p> <p>- Integrating teams more closely around property, commercial income, projects and regeneration</p> <p>At the same time the Development &amp; Culture Directorate will reduce its overall back office support costs.</p>
E2 Reduce the Council's energy bill	(0.200)	(0.400)	(0.600)	<p>The Council will put in place significantly tighter management of its energy bill and carbon liabilities. Key actions being implemented to address this include:</p> <ul style="list-style-type: none"> <li>• adoption of Utilities Strategy and consolidation of posts to create a dedicated team to lead energy efficiency and carbon reduction measures. Procure and implement Energy Performance (EPC) Guarantee contracting on Council buildings.</li> <li>• Review opportunities for further reductions on public lighting which are not included in the Highways PFI (Private Finance Initiative)</li> <li>• Review the Council's total vehicle fleet through the Green Fleet</li> <li>• Review to secure efficiencies in vehicle usage and fuel usage</li> </ul>
E3 More closely align functions with partners in the public and private sectors from across the city region.	(0.100)	(0.250)	(0.250)	<p>The proposal is to begin to align a number of these service areas so that the region benefits from more coordinated delivery of economic services, whilst the individual local authorities are able to reduce the cost of service by a reduction in overheads.</p> <p>The proposal is to focus first on shared transport, inward investment, planning and economic development activity. This should then provide a foundation through which much greater activity could become shared at a city region level.</p> <p>The proposal is to talk to local authorities and partners both within the Greater Birmingham &amp; Solihull Local Enterprise Partnership and in the Black Country – with solutions developed around the best-fit for the needs of individual service areas.</p>

Savings Proposal	2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
E4 Make the Smarter Choices function self-funding.	(0.150)	(0.250)	(0.250)	In the future the team will increasingly provide 'contracted' services drawing on their expertise in safe and sustainable travel promotion, to contribute to the delivery of grant funded projects and the sustainable travel obligations of schools and businesses. This will generate an income for the team.
E5 Make Digital Birmingham self-funding.	(0.155)	(0.205)	(0.255)	<p>Digital Birmingham is 65% self-financed through undertaking national and European projects and aims to move to be fully self-funded in 2017/18. Within these timescales the most likely source of income will initially be grant funding from national and European sources and in order to achieve this we will need to establish a programme of bid writing and consortium building activities.</p> <p>A second source of income is commercial ventures emerging from existing projects (Digital Logbook, DISCOVER eLearning for carers). These will be evaluated for suitability and pursued where appropriate. Failing to generate the required income will lead to redundancies. As the service is currently operating at full capacity, this would directly lead to some activities being stopped altogether.</p>
E6 Reduce the cost of the Climate Change & Environment Team.	(0.200)	(0.200)	(0.200)	<p>The service aims to increase revenue to the team, increase the amount of funding available through re-charging and reduce the number of people in the team funded by the Council.</p> <ul style="list-style-type: none"> <li>• maximise European grant income from existing projects and submit bids for new priority projects in line with the Council Utilities Strategy and priorities</li> <li>• We will set up a "sponsor" programme for the Green Commission to secure finance for the work of the team in developing and supporting</li> </ul>

Savings Proposal	2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
				the work of the Green Commission <ul style="list-style-type: none"> <li>• Remove one post (BEP Partnership Manager, grade 6)</li> <li>• Seek, amongst other possibilities, ECO (Energy Company Obligation) finance for work on behavioural change and energy efficiency</li> <li>• Secure a percentage of Council corporate energy savings to support on-going energy costs reduction measures</li> </ul>
E7	(2.868)	(2.868)	(2.868)	The ITA is consulting on a range of options to reduce expenditure. As a consequence, the levy payable by the City Council is expected to reduce.
E8	(0.030)	(0.049)	(0.049)	Review of service and reduction in staff.
E9	0.000	(0.344)	(0.344)	Reduced Building Operating Costs from the CAB Portfolio and Savings within Corporate Landlord function - Ongoing delivery of original business case.
E10	(0.126)	(0.252)	(0.252)	A new operator has now taken over the theatre. Therefore, after a transitional period, the Council's remaining budget will no longer be required.
E11	(0.100)	(0.100)	(0.100)	The Directorate is responsible for managing a number of local, national and regional programmes which bring investment and resources into Birmingham. These programmes currently total over £100m, and in future years are estimated to be worth over £500m. They include resources and funding streams such as Growing Places Fund, Local Growth Fund, Enterprise Zone Fund, Green Bridge and various Transport Project funds. The proposal is that the council recharges costs for the programmes being delivered and also uses council infrastructure and teams to provide services, funded by the new sources described above. This will mean that the cost of some Council services will be completely covered by external income, and other will be able to increase the balance between outside income and council spend. It will also mean

Savings Proposal		2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
					the Council is able to support the delivery of activity - potentially including inward investment services, regeneration and economic development - for a wider area.
<b>Subtotal Existing Plans</b>		<b>(3.949)</b>	<b>(4.958)</b>	<b>(5.208)</b>	
<b>New Savings</b>					
E12	Business Development and Innovation	(0.100)	(0.100)	(0.100)	The service has £0.3m set aside to ensure that there would be future match funding for business development activity as required by EU programmes. We are proposing to use this over the next three years in place of reducing service expenditure.
E13	City Centre Management	(0.280)	(0.425)	(0.425)	The proposal is to scale back the City Centre Management role to one of purely strategic support e.g. Business Improvement District support and cease the City Council's funding for Street Wardens and Festive Lighting entirely by 2016/17, unless external funding can be secured to cover the costs.
E14	Employment Skills and Disability Service	(0.388)	(0.358)	(0.358)	We are proposing to reduce the number of staff and focus remaining limited resources on meeting the council's leading employment and skills priorities, reducing or stopping some of our current service delivery. Recharge employee costs (where possible) to projects, reducing the cost to the council.  Strategic levers and a project management approach will be maintained to fit with the emerging Joint Economic Unit.
E15	Enterprise and Funding Team	(0.133)	(0.163)	(0.163)	We are proposing to complete delivery of the Enterprise Catalyst Project (ending June 2015) and cease BCC funding associated with the project (including funding for posts). Future delivery of local business and enterprise support will be provided through the emerging Joint Economic Unit. This is something we are looking to set up with other nearby local councils, Local Enterprise Partnerships, universities and

Savings Proposal		2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
					other bodies, that would enable us to jointly commission economic development work.
E16	Greater Birmingham & Solihull LEP (GBS LEP) including Economic Research and Policy	(0.157)	(0.157)	(0.157)	We are proposing to: <ul style="list-style-type: none"> <li>• increase efficiency and delete (not recruit) to vacant posts unless business critical</li> <li>• generate further income and reduce contributions to joint bodies</li> </ul> We need to consider this service in respect of the emerging Joint Economic Unit
E17	Marketing Birmingham	(0.408)	(0.578)	(0.754)	We are proposing to refocus the Service Level Agreement the Council holds with Marketing Birmingham. This will prioritise inward investment services at the expense of services to support the visitor economy.
E18	Climate Change and Environment	(0.059)	(0.059)	(0.059)	We are proposing to increase income and sponsorship and reduce the number of staff.
E19	Establish an Energy Services Company	(0.100)	(0.500)	(0.750)	An Energy Services Company (ESCo) would have the ability to make money, eventually generating a profit. It would use the Council's ability to buy energy at wholesale prices and then sell energy on. This proposal is reliant on creating new income and there are initial costs to implementation which are not yet fully modelled. <ul style="list-style-type: none"> <li>• This will create a new ESCo for Birmingham</li> <li>• It will utilise the assets of the council to generate energy (solar, bioenergy, energy from waste, ground source, etc.) from its land and buildings and utilise the potential of generating energy from waste when the current Veolia contract at Tyseley ends (2019)</li> <li>• We would work with Core Cities to secure the necessary energy generator and retailer powers for the Council</li> </ul>
E20	Support Services	(6.752)	(9.352)	(12.172)	We are proposing to: <ul style="list-style-type: none"> <li>• make substantial staffing reductions</li> <li>• increase efficiency</li> <li>• maximise opportunities to charge for services</li> </ul>

Savings Proposal		2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
					<ul style="list-style-type: none"> <li>• place more responsibility with line managers</li> <li>• charge credit card transaction fees back to the customer</li> <li>• reduce Forward (the Council newspaper for Residents) to two times a year</li> <li>• review arrangements for tracking resident satisfaction and views</li> <li>• substantially reduce the third sector support contract and identify sustainable support arrangements</li> <li>• increase income from external advertising</li> </ul>
E21	Birmingham Property Services	(2.380)	(3.120)	(3.870)	<p>We are proposing to reduce:</p> <ul style="list-style-type: none"> <li>• the number of staff in the Birmingham Property Services team</li> <li>• the number of vacant properties in our commercial property portfolio</li> <li>• office security costs</li> </ul> <p>In addition, to increase rental income from our investment property portfolio.</p>
E22	Revenues	(0.300)	(0.450)	(0.600)	<p>To redesign the way the client team works, ensuring effective focus on contract monitoring work.</p> <ul style="list-style-type: none"> <li>• That the cost of managing revenue for Business Improvement Districts (BIDs) is recharged to the BIDs.</li> <li>• To reduce printing, scanning and indexing costs.</li> <li>• To increase the cost of Council Tax and Business Rates Summons' to reflect the increased costs of this function. This is a fee Birmingham residents and businesses are charged if they are summonsed to court for not paying their Council Tax or Business Rates. The fee is currently lower than that charged by many other Local Authorities.</li> </ul>
E23	Service Birmingham	(6.800)	(9.600)	(12.740)	We are proposing to reduce our ICT costs.
E24	Acceleration of savings	(1.500)	0.000	0.000	In addition to the specific savings and actions central support services have a further £1.5m which services will need to achieve. This represents further efficiency savings and will be allocated prior to the start of the year 2015/16 on an agreed basis.

Savings Proposal		2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
E25	Further Review	0.000	(3.200)	(4.800)	Future provision of support services will be reviewed in the light of the emerging future operating model of the Council
E26	Housing Development	(0.030)	(0.030)	(0.030)	We currently spend £30,000 from our 'General Fund' on this service. This is the part of our budget that we can spend on the services we choose to. The majority of this service is paid for from the 'Housing Revenue Account'. This is a separate part of our budget that shows income and expenditure on activities related to council housing. There are strict rules about what can be paid for from this, but the rules would allow us to pay for the whole service from this account. This is what we propose to do.
E27	Library of Birmingham/ Strategic Library Services	(1.300)	(3.100)	(3.100)	We are proposing to reduce: <ul style="list-style-type: none"> <li>- the number of staff and services at the Library of Birmingham, yet maintain collection management for the photographic and archival/literature collections, and support for children's reading initiatives.</li> <li>- the opening hours from 73 to 40</li> <li>- the support we give to community libraries.</li> <li>- introduce a dual fee (reduced rate inside the City) for the loan of choral and orchestral sets.</li> </ul> We are also looking at the amount we spend on new books. We are proposing to spend less on renewing our stock in 2015/16 and will consider a range of options for renewing stock and mobile library service provision in future years. We will continue to keep the library at home list closed to new applications.
E28	Support to Museums and Heritage	(0.600)	(0.850)	(0.850)	The proposal from Birmingham Museums Trust is to reduce staffing at museums, increase fundraising and introduce new arrangements for management of the Heritage Sites. During 2015/16 transition costs of £0.250m have been allowed to support this long term reduction.



Savings Proposal		2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
E29	Support to the Arts	(0.096)	(0.923)	(2.596)	The budget is already committed in 2015-16 through agreements with the funded arts organisations which have delivered a 20% saving this year. In 2016-17, it is proposed to work with the arts organisations to achieve phased reductions in the City Council's contribution to the "culture pound".
E30	Major Events	(0.900)	(1.252)	(1.231)	For major events, it is proposed to reduce the budget and to fund the eight major events which are contractual, or near-contractual commitments.
E31	Development and Regeneration	(0.320)	(0.175)	(0.175)	We are proposing to redesign the service in line with future priorities including reduction in posts to achieve ongoing savings. In addition one-off savings will be made through efficiencies, additional planning fee income and one-off funding from external projects to meet the higher target in 2015/16.
E32	City Design and Conservation	(0.160)	(0.160)	(0.160)	We are proposing to change the service provided by the team by: <ul style="list-style-type: none"> <li>• Reducing the number of specialist roles</li> <li>• Limiting the amount of design and conservation advice we provide</li> <li>• Passing the responsibility to pay for specialist advice to the applicant where possible</li> <li>• Stopping the support we currently provide for Conservation Area designation</li> </ul>
E33	Building Regulation	(0.018)	(0.018)	(0.018)	We are proposing to reduce the amount of enforcement activity we do in relation to issues that do not pose a threat to life.
E34	Planning Management	(0.870)	(0.870)	(0.870)	We are proposing a number of changes to increase efficiency and increase income. This would include: <ul style="list-style-type: none"> <li>• Streamlining processes further and reducing administration activity</li> <li>• Paper saving; better use of IT and document management</li> <li>• Reducing the level of Public Participation consultation on planning applications</li> <li>• Charging an administration fee for invalid applications</li> </ul>

Savings Proposal	2015/16 Saving £m	2016/17 saving £m	2017/18 saving £m	Description
				<ul style="list-style-type: none"> <li>• Charging for enquiries</li> <li>• Increasing Local Land Charges</li> <li>• Increasing Internal Service Level Agreement charges</li> <li>• Charging for pre-application advice on large planning applications</li> <li>• Re-negotiating the press notice contract</li> </ul>
E35 Transportation Strategy	(0.020)	(0.020)	(0.020)	<p>We are proposing to increase the income we generate for professional services as well as aligning staff functions to deliver capital and externally funded revenue projects.</p> <p>We are considering:</p> <ul style="list-style-type: none"> <li>• Development and monitoring of the provision of travel plans for larger scale developments. Monitoring will enable Transportation Services to manage new developments to ensure that they are delivering on travel sustainability targets agreed to within their planning approvals;</li> <li>• Sponsorship of various packages of programmes delivered through the Smarter Choices teams. Discussions are ongoing with proposals being developed;</li> <li>• Funding bids will continue to target revenue and capital pots that can support the continued delivery of programmes for Road Safety Education and Smarter Choices, as well the infrastructure to support these areas of work;</li> <li>• European funding will be targeted in partnership with other bodies.</li> </ul>
E36 Benefits Service	0.000	0.000	0.000	<p>We are not proposing to change the amount spent on this service. However, the vast majority of what we spend on administration of the Benefits Service is repaid by Central Government in the form of an administration grant. Therefore, the only real costs to the council are in respect of IT support and the contact centre. It is not possible to reduce these further at the present time. However, we are proposing to rethink the way the service works. This is because the Housing</p>

<b>Savings Proposal</b>		<b>2015/16 Saving £m</b>	<b>2016/17 saving £m</b>	<b>2017/18 saving £m</b>	<b>Description</b>
					Benefit grant that Central Government pay us is reducing year on year. We need to be able to work more efficiently to carry on working without significant cost to the Council.
E37	Less HRA benefit of savings delivered in Economy Directorate	0.284	0.284	0.284	Less HRA benefit of savings delivered in Economy Directorate
	<b>Subtotal New Savings</b>	<b>(23.387)</b>	<b>(35.176)</b>	<b>(45.714)</b>	
	<b>Total Economy Savings</b>	<b>(27.336)</b>	<b>(40.134)</b>	<b>(50.922)</b>	
	<b>Corporate Existing Plans</b>				
C1	Treasury Management	(0.823)	(0.823)	(0.823)	Savings to be generated from a reduction in borrowing costs
	<b>Total Corporate Savings</b>	<b>(0.823)</b>	<b>(0.823)</b>	<b>(0.823)</b>	
	<b>Total Existing Plans</b>	<b>(35.963)</b>	<b>(59.691)</b>	<b>(59.941)</b>	
	<b>Total New Savings</b>	<b>(69.437)</b>	<b>(87.301)</b>	<b>(100.579)</b>	
	<b>Total Savings</b>	<b>(105.400)</b>	<b>(146.992)</b>	<b>(160.520)</b>	

### Appendix 3G: In-Year Evolution of the Financial Position

On setting the budget in March 2014 the City Council estimated that it would need to find savings of £206.7m in 2015/16, growing to £359.6m by 2017/18. The City Council was able to reschedule its provision for debt repayment (MRP), reducing the challenge to £148.4m in 2015/16 and £316.9m in 2017/18 as detailed in the City Council's Green Paper in September 2014.

The City Council is constantly updating its resource and spending forecasts including the impact of Government announcements on resources and the identification of changes to pressures. In particular the City Council has updated its resource forecast following the Chancellor's Autumn Statement 2014/Local Government Finance Settlement and is now planning to fund additional investment in child protection services of £21.5m in 2015/16 growing to £28.5m in 2017/18. The impact of the changes is summarised below.

<b>Movement in Savings Challenge</b>			
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Savings Requirement March 2014	206.7	287.8	359.6
Rescheduling provision for debt repayments	(58.3)	(47.6)	(42.7)
<b>Revised Financial Challenge (per Green Paper)</b>	<b>148.4</b>	<b>240.2</b>	<b>316.9</b>
Originally Proposed Council further investment in child protection services	19.9	24.6	26.9
Other services cost pressures	5.4	4.0	3.1
Review of corporate budgets (e.g. treasury and taxbases)	(19.5)	(7.8)	(9.3)
Use of corporate reserves, including carry forward from 2014/15	(37.5)	0.0	0.0
<b>Savings requirement per White Paper</b>	<b>116.7</b>	<b>261.0</b>	<b>337.6</b>
Further Changes:			
Autumn Statement Announcement/Settlement Core Grants	(3.3)	18.6	21.6
Other Changes in Corporate Resources	(1.0)	1.8	1.8
Technical Updates	(4.4)	(5.5)	(3.4)
Investment in Policy Priorities and Pressures	4.9	2.8	6.4
<b>Total Savings Requirement</b>	<b>112.9</b>	<b>278.7</b>	<b>364.0</b>
Reducing provision for inflation	(7.5)	(6.6)	(5.3)
<b>Specific Savings Proposals Required</b>	<b>105.4</b>	<b>272.1</b>	<b>358.7</b>

**Appendix 3Hi: Revenue Budget – Gross Expenditure****Revenue Budget for City Council Services - Gross Expenditure**

	<b>2014/15 Budget £m</b>	<b>2015/16 Budget £m</b>
<b>Directorate</b>		
Economy	889.175	804.906
People	1,696.337	1,676.457
Place (excluding Housing Revenue Account)	407.495	336.047
<b>Total Directorate Expenditure</b>	<b>2,993.007</b>	<b>2,817.410</b>
Corporately Managed Budgets	(36.160)	1.651
Contingencies	43.600	39.657
<b>Total Expenditure on Services</b>	<b>3,000.447</b>	<b>2,858.718</b>
Corporate Contribution to Reserves	1.275	3.662
Corporate Repayment of borrowing from Reserves	4.348	15.881
Contribution to General Balances	1.500	1.500
<b>Total General Fund Expenditure</b>	<b>3,007.570</b>	<b>2,879.761</b>
Housing Revenue Account	283.643	289.957
<b>Total Gross Expenditure</b>	<b>3,291.213</b>	<b>3,169.718</b>

**Appendix 3Hii: Revenue Budget – Gross Income****Revenue Budget for City Council Services - Gross Income**

	<b>2014/15 Budget £m</b>	<b>2015/16 Budget £m</b>
<b>Directorate</b>		
Economy	(670.579)	(639.189)
People	(1,105.487)	(1,127.386)
Place (excluding Housing Revenue Account)	(176.265)	(158.889)
<b>Total Directorate Income</b>	<b>(1,952.331)</b>	<b>(1,925.464)</b>
Corporately Managed Budgets	(34.676)	(3.850)
Corporate Grants	(26.456)	(31.986)
<b>Total Income from Services</b>	<b>(2,013.463)</b>	<b>(1,961.300)</b>
Corporate Use of Reserves	(16.317)	(42.263)
Corporate Borrowing from Reserves	(12.853)	(1.657)
<b>Total General Fund Income</b>	<b>(2,042.633)</b>	<b>(2,005.220)</b>
Housing Revenue Account	(283.643)	(289.957)
<b>Total Gross Income</b>	<b>(2,326.276)</b>	<b>(2,295.177)</b>

**Appendix 3Hiii: Revenue Budget – Net Expenditure****Revenue Budget for City Council Services - Net Expenditure**

	<b>2014/15 Budget £m</b>	<b>2015/16 Budget £m</b>
<b>Directorate</b>		
Economy	218.596	165.717
People	590.850	549.071
Place (excluding Housing Revenue Account)	231.230	177.158
<b>Total Directorate Net Expenditure</b>	<b>1,040.676</b>	<b>891.946</b>
Corporately Managed Budgets	(70.836)	(2.199)
Contingencies	43.600	39.657
Corporate Grants	(26.456)	(31.986)
<b>Total Net Expenditure on Services</b>	<b>986.984</b>	<b>897.418</b>
Corporate Use of Reserves	(15.042)	(38.601)
Corporate Repayment of borrowing from Reserves	(8.505)	14.224
Contribution to General Balances	1.500	1.500
<b>Total General Fund Budget</b>	<b>964.937</b>	<b>874.541</b>
Housing Revenue Account	0	0
<b>City Council Budget</b>	<b>964.937</b>	<b>874.541</b>

## Appendix 31: Housing Revenue Account Business Plan

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 1 to 10	.....	Year 30	Year 1 to 30
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total		2044/45	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		£m	£m
<b>HOUSING REVENUE ACCOUNT</b>														
<b>Income</b>														
Rental Income	(270.367)	(273.864)	(282.022)	(289.777)	(297.441)	(305.247)	(312.845)	(320.573)	(328.490)	(336.595)	(3,017.221)		(544.329)	(11,773.448)
Voids	3.641	3.690	3.797	3.899	4.000	4.103	4.204	4.306	4.412	4.519	40.571		7.289	157.911
<b>Net Rental Income</b>	<b>(266.726)</b>	<b>(270.174)</b>	<b>(278.225)</b>	<b>(285.878)</b>	<b>(293.441)</b>	<b>(301.144)</b>	<b>(308.641)</b>	<b>(316.267)</b>	<b>(324.078)</b>	<b>(332.076)</b>	<b>(2,976.650)</b>		<b>(537.040)</b>	<b>(11,615.537)</b>
Service Charges / Other Income	(23.231)	(23.908)	(24.382)	(24.811)	(25.249)	(25.696)	(26.096)	(26.339)	(26.651)	(26.963)	(253.326)		(31.773)	(845.234)
<b>Total Revenue Income</b>	<b>(289.957)</b>	<b>(294.082)</b>	<b>(302.607)</b>	<b>(310.689)</b>	<b>(318.690)</b>	<b>(326.840)</b>	<b>(334.737)</b>	<b>(342.606)</b>	<b>(350.729)</b>	<b>(359.039)</b>	<b>(3,229.976)</b>		<b>(568.813)</b>	<b>(12,460.771)</b>
<b>Expenditure</b>														
Repairs	67.984	67.924	69.511	71.008	72.470	73.964	75.399	76.855	78.335	79.842	733.292		116.010	2,689.882
Management	58.531	58.518	59.782	61.193	60.865	61.398	62.902	64.443	66.023	67.674	621.329		110.891	2,393.245
Bad Debt Provision	4.867	4.926	4.586	4.586	4.602	4.626	4.638	4.662	4.690	4.718	46.901		5.440	148.255
Equal Pay	19.111	9.664	0.033	0.000	0.000	0.000	0.000	0.000	0.000	0.000	28.808		0.000	28.808
Estate Costs	20.690	20.481	21.105	21.657	22.179	22.718	23.271	23.837	24.417	25.028	225.383		41.011	880.686
Capital Financing - Loan Redemption	10.890	0.000	8.464	16.480	14.613	32.892	41.182	45.918	49.752	54.910	275.101		5.610	724.537
Capital Financing - Interest and Other Costs	54.308	54.235	53.836	53.458	52.312	51.312	49.388	47.227	45.204	42.885	504.165		20.625	1,010.893
Contribution to Capital	53.576	78.334	85.290	82.307	91.649	79.930	77.957	79.664	82.308	83.982	794.997		269.226	4,584.465
<b>Total Revenue Expenditure</b>	<b>289.957</b>	<b>294.082</b>	<b>302.607</b>	<b>310.689</b>	<b>318.690</b>	<b>326.840</b>	<b>334.737</b>	<b>342.606</b>	<b>350.729</b>	<b>359.039</b>	<b>3,229.976</b>		<b>568.813</b>	<b>12,460.771</b>
<b>Net (Surplus) / Deficit</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>	<b>0.000</b>
<b>CAPITAL INVESTMENT</b>														
<b>Total Investment</b>	<b>100.081</b>	<b>106.570</b>	<b>102.645</b>	<b>98.397</b>	<b>101.798</b>	<b>91.419</b>	<b>90.392</b>	<b>90.753</b>	<b>92.657</b>	<b>94.598</b>	<b>969.310</b>		<b>288.789</b>	<b>5,056.629</b>
<b>Financing</b>														
Contribution from Revenue	(53.576)	(78.334)	(85.290)	(82.307)	(91.649)	(79.930)	(77.957)	(79.664)	(82.308)	(83.982)	(794.997)		(269.226)	(4,584.465)
Other Resources	(46.505)	(28.236)	(17.355)	(16.090)	(10.149)	(11.489)	(12.435)	(11.089)	(10.349)	(10.616)	(174.313)		(19.563)	(472.164)
<b>Total Expenditure</b>	<b>(100.081)</b>	<b>(106.570)</b>	<b>(102.645)</b>	<b>(98.397)</b>	<b>(101.798)</b>	<b>(91.419)</b>	<b>(90.392)</b>	<b>(90.753)</b>	<b>(92.657)</b>	<b>(94.598)</b>	<b>(969.310)</b>		<b>(288.789)</b>	<b>(5,056.629)</b>
<b>Net (Surplus) / Deficit</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>	<b>0.000</b>
<b>Borrowing Cap</b>	1,141.600	1,150.420	1,150.420	1,150.420	1,150.420	1,150.420	1,150.420	1,150.420	1,150.420	1,150.420			1,150.420	
<b>Note: Efficiencies included above</b>	<b>(7.008)</b>	<b>(7.285)</b>	<b>(7.570)</b>	<b>(7.862)</b>	<b>(8.161)</b>	<b>(8.468)</b>	<b>(8.783)</b>	<b>(9.106)</b>	<b>(9.437)</b>	<b>(9.777)</b>	<b>(83.457)</b>		<b>(18.778)</b>	<b>(365.862)</b>



## APPENDIX 4 FINANCIAL DETAILS – CAPITAL AND PRUDENTIAL INDICATORS (INCLUDING MAJOR SERVICE ASSET AND CAPITAL STRATEGIES)

### Appendix 4A: Major Service Asset and Capital Strategies

#### 1. PEOPLE

##### Adults & Communities

- 1.1 The Directorate's Capital Strategy supports delivery of care to the most vulnerable adults in the city. The 2013 Adult Social Care Update Green Paper outlined the City Council's commitment to:
- always meeting assessed unmet eligible needs
  - increasing or decreasing, as necessary, individual budgets to ensure unmet eligible needs can be provided for, and
  - meeting needs as detailed in support plans until they are changed either by re-assessment or review.
- 1.2 The Health and Adult Social Care review this year concluded that the 2014 Business Plan had taken forward "best in class" proposals and that to reduce spend further would require a concerted effort to reduce demand across the whole system of care services through focusing on preventing the need for expensive and unpopular care options. The Council has therefore determined that the key to changing demand in care is to work with partners and other Council services outside the care system. Capital expenditure will be focussed on assisting to deliver this across four themes:
- 1.2.1 *Radically changing the way we deliver specialist care services:* The current schemes to improve the Learning Disability Day Centres (£1.0m) and invest in ensuring that facilities comply with care and health and safety regulations (£1.0m) will continue. Where appropriate, the Directorate will replace existing vehicles to enable more effective management of the internal services (£1.5m) The Council continues to look at options to transfer this service into a social enterprise.
- 1.2.2 *Consistency between children's services and adult services:* to ensure a 'whole-life' approach and a more seamless transition from one service to the next. This is unlikely to have a direct impact on the Directorate's capital strategy.
- 1.2.3 *Working more closely with local communities:* Telehealthcare is used to support people in their own homes whilst ensuring that they remain in a safe environment with the minimum of intervention. Funding for initiatives such as this will be available as part of the Better Care Fund. Alternative approaches, including integration with CareLine are being considered.

- 1.2.4 *Integrating and aligning our services with the NHS:* the Government's Better Care Fund (BCF) will be introduced from 2015/16 and the Council has developed a plan with health partners to develop closer joint working around the care of Older People. The capital Community Capacity Grant has been included in the overall BCF funding and investment opportunities (£4.1m), including through joint use of buildings, will be identified through the joint governance arrangements.
- 1.3 The Care Act 2014 introduces fundamental changes to the working of the Adult Care system. This, combined with a review of the Customer Journey in Assessment and Support Planning, is requiring significant changes to the Council's ICT systems for managing and recording packages of care (£2.1m). Where possible, all developments and changes to the ICT systems will be funded through capital resources.
- 1.4 The Directorate is also responsible for Supporting People, Homelessness, and Public Health services. A proposal for the refurbishment, modernisation and upgrade of three homeless centres is close to finalisation (£3.0m). This will benefit households in crisis to be accommodated with support in appropriate accommodation that meets all statutory requirements and health and safety legislation. It also reduces the dependence of the Council on bed and breakfast accommodation at which no support is provided. A scheme to work with partners to develop a recovery centre to support substance misuse services was started last year and will be completed in 2015/16 (£0.3m).
- 1.5 In addition to these specific proposals, the Directorate will also identify opportunities to deliver improved services through application for and use of specific funding, usually provided through Government Departments or Agencies.

## **Children, Young People & Families**

The CYPF Asset and Capital plan aims to address the following key priorities:

- 1.6 **Basic Need Capital programme**  
The Basic Need programme is key to ensuring the LA can continue to provide sufficient additional school places for all its young people over the coming years in a context of rising birth rate and increased net migration into the city. The Basic need programme is delivered through 4 strands:
- Additional Primary Places programme, APP
  - Additional Secondary Places programme, ASP
  - Special School Additional Places programme, SSAP
  - Early years additional places programme, EYAP

Requirements, funding and potential solutions to meet basic need will continue to be captured in an annual capital programme cabinet report. The majority of funding for the programme is from Department for Education (DfE) Basic Need grant, with additional funding streams from school balances, Section 106 contributions and capital receipts wherever possible. At this point in time £43.1m of funding is profiled in 2015/16 and £73.1m in future years.

Basic Need requirements and solutions can change even at short notice due to unpredictable changes in both the supply of and demand for school places. This means that at times the Council will expand schools temporarily to take additional children at relatively short notice or, conversely may halt/limit planned expansions in the event of local oversupply of places.

### 1.7 **Capital Maintenance**

As landlord for the majority of Birmingham schools, the City Council works closely with schools to ensure that Governing Bodies fulfil their obligations in relation to planned preventative maintenance and partner effectively with the City Council to improve the condition of school buildings.

Key priorities for the Capital Maintenance Programme are:

1. Delivery of planned maintenance to address major backlog maintenance issues with a priority on preventing asset failure that will lead to school closure and reducing emergency repairs.
2. Levering investment from school into condition need through dual funding of priority maintenance projects
3. Responding swiftly to emergency repairs and maintenance issues, working in partnership with schools to fund essential repairs and ensure there is minimal incidence of school closure due to asset failure
4. Levering maximum increased investment into the estate to dress condition need and suitability in particular through a) bidding opportunities as they arise b) development opportunities that will lever investment into the education estate. Examples include a bid to the DfE as part of the Priority Schools Building Programme to rebuild 16 schools in the worst condition.

These priorities will be captured in the annual schools capital programme report. At this point in time £10.535m is available but the 2015/16 grant allocation from the DfE is still awaited.

## 1.8 Education Portfolio Management

Key priorities for the management of the education portfolio are:

1. Reduction in revenue maintenance costs associated with surplus and non-schools assets, in particular unattached education playing fields
2. Implementing solutions to manage the revenue affordability gap on the maintenance contracts for the PFI and Building Schools for the Future (BSF) schools estate while delivering effective operational contracts management to drive efficiencies
3. Maximising opportunities for revenue savings from energy efficiency measures
4. Extending community use on school sites, aligned to the District proposals for local leisure provision and the City's strategic sport proposals.
5. Regularising all lease arrangements on schools and non-schools assets, including caretakers' houses
6. Advice and guidance to schools on effective asset management (traded service)

## 1.9 Early Years

A capital grant of £3.4m was announced in March 2013 to support the expansion of early year's places in the City particularly in the private/ voluntary/ independent (PVI) sector. Progress and take up in 2014/15 has been impacted by concerns from the PVI sector on the adequacy of their revenue funding allocations to fulfil their obligations including paying the Living wage to their staff. This has resulted in an independent review being commissioned. The outcomes of the review will enable further discussions to be held in an informed environment. As such the majority of the capital grant expenditure is profiled for 2015/16.

## 1.10 ICT

The Council has worked with the Children's Commissioner, Lord Norman Warner, to produce a Children's Social Care Improvement Plan 2014-17 (published 7<sup>th</sup> July 2014) in order to take forward the key and fundamental changes that are urgently required to improve safeguarding and protection of children.

Part of the improvement plan includes having fit for purpose IT systems to support Social work practice. To this end an assessment has been made of the key IT improvements that are required to stabilise and enable the existing services. The total net cost of implementation is estimated at £5.225m and will be funded from earmarked capital receipts over 2014/15 (£2.0m) and 2015/16 (£3.225m). This has since been supplemented by an overall strategic review of the whole service including Education which has generated an additional resource requirement. However, funding of any additional priorities will depend on exploiting other funding

streams such as Think Family grant.

**1.11 Outdoor Learning Service**

Following consideration of options and consultation Cabinet agreed to discontinue service delivery from 31<sup>st</sup> July 2014. Sites have been disposed of or are in the process of being disposed of. In some cases this has involved transferring responsibility of provision to a third party.

**1.12 Children's Homes**

Following an options appraisal process the preferred option being progressed is the externalisation of the 5 in house mainstream Children's Homes as operating concerns at contract award. This allows the children to remain in placement, the staff to transfer to a new provider under TUPE regulations and for the buildings to at least initially continue to be used as Children's Homes.

## **2. ECONOMY**

### **Strategic Context**

2.1 The strategy for the Directorate underpins key corporate outcomes, highlighting the investment required to support the Council itself and the delivery of the City Council's significant economic agenda. Objectives include:

- Creating the conditions for sustainable economic and population growth and regeneration through transformational change in the city centre and local neighbourhoods
- Increasing the city's economic output and productivity through the expansion of key growth sectors, greater enterprise and innovation in high value added activity.
- Providing high quality infrastructure to support improved local and regional connectivity and accessibility, enhance global competitiveness and underpin future economic and population growth.
- Increasing employment and reduce poverty across all communities to support people from welfare to work.
- Creating a vibrant low carbon, low waste economy through the best use of environmental technologies, and ensure that Birmingham is prepared for the impact of climate change.
- Ensure that the City Council is able to deliver and support all of its objectives through the most efficient use of technology.

2.2 The Directorate works with other parts of the City Council along with public and private sector partners to develop an integrated approach to investment to deliver the required growth. This includes working at a local level with the District structures and regionally with other West Midlands authorities and the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP).

### **Planning & Regeneration**

2.3 The Enterprise Zone (EZ) has a revised 10 year Investment Plan totalling £275m capital and revenue. Under government rules on Enterprise Zones, any uplift in the business rates collected within the EZ boundaries is ringfenced for a period of 25 years for the use and direction of the Local Enterprise Partnership. Within Birmingham this is the GBSLEP. The Investment Plan sets out how this uplift will be used to deliver the first phase of investment in infrastructure to unlock development and growth in the City Centre Enterprise Zone (EZ). A series of projects commenced in previous years, continue to be progressed within Economy with the EZ funding including:

- The re-development of Paradise Circus - £87.9m
- Operation of a site development and access fund - £15.0m.
- Support of £25m from 2013/14 onwards to extend the Metro to Centenary Square and transform the square.
- £10.0m support towards the relocation of the Wholesale Market (see paragraph 2.5 below), and
- £18.0m to develop a public realm programme.

2.4 In addition to the City Centre Enterprise Zone, the Economic Zones marry the city's target growth sectors with strategic development opportunities supported by a bespoke offer to encourage private sector investment. The capital programme includes funding for the following projects in progress:

- Advanced Manufacturing Hub at the Aston Regional Investment Site - £5.7m which utilises a mix of public sector funding sources to bring forward cleared and developable plots for the automobile and advanced manufacturing sector.
- Life Sciences Campus - £7.2m expenditure in 2015/16 onwards will enable the purchase and remediation of the 4ha site which sits strategically next to the University Hospital Board Campus and University of Birmingham, within the Selly Oak / Edgbaston Growth Zone. The ambition is to provide 40,000 sq m of office/building space to accommodate Life and Health Sciences businesses starting up and growing, as well as for expanding businesses to relocate. Remediation on the full 12ha Battery Park development site has commenced.
- Provision of £6.4m from a total £7.5m commercial loan to Innovation Birmingham Ltd to support the construction of iCentrum, a 3 storey construction adjacent to Birmingham Science Park Aston, providing regional incubator space for digital entrepreneurs.

2.5 The continued revitalisation and modernisation of the city's economy will be central to the growth agenda ensuring that jobs and prosperity are generated for current and future residents. Existing schemes continuing into 2015/16 include the Green Bridge Supply Chain (ERDF) - a capital grant assistance scheme for SMEs, Birmingham Equity and Creative Equity funds providing investment for SMEs to support growth. One new scheme, recently approved and included in the programme is relocation of the Wholesale Markets to new purpose-built accommodation at the Hub in Witton. Following approval of the original full business case in January 2014, an enhanced budget of £44.4m was subsequently approved for the scheme, of which £42.9m is budgeted for 2015/16 to 2017/18, for the purchase of the new site and for initial building works. Final construction, tenant fit out and the commencement of trading operations are all scheduled to take place in the following year, 2016/17.

## Transportation

- 2.14 The City's transport network enables the movement of people, goods and materials around Birmingham and affects all those who live, work and visit the city. The aim, as recently set out in the Council's Birmingham Connected transport vision, is to support, influence and nurture the growth of the city through a holistic and co-ordinated view of transport, land use planning, regeneration and environmental issues. The city also aims to improve transport infrastructure and networks and tackle congestion, working with partners to improve road and transport safety, encourage the use of sustainable modes and increase the range of low carbon transport options available to all citizens and road users.
- 2.15 The strategy seeks continuing support towards the delivery of major capital projects including Birmingham Gateway and the Grand Central development, the City Centre Metro Extension, a High Speed rail link between Birmingham and London with two significant stations in Birmingham and Solihull, access to East Birmingham and supporting major developments including the Enterprise Zone and Economic Growth Zones at Aston, Witton, Tyseley, Selly Oak and Longbridge. During 2015/16 the strategy will begin to encompass the wider connectivity component of the HS2 Growth Strategy, the Midlands Connect strategy and the emerging Transport Plan for the West Midlands.
- 2.16 In addition to Local Transport Plan Integrated Transport Block resources (confirmed £5.12m allocation between 2015/16 and 2017/18) the City Council continues to explore opportunities to secure additional Government funding to support this strategy. The following significant projects, continuing into their second year of allocated funding and in some cases additional funding are illustrative to this approach:
- Continuing improvements to the Chester Road in Castle Bromwich at a total cost of £11.8m (of which £4.9m is budgeted for spend in 2015/16).
  - Continued improvements to the Cycling & Walking infrastructure of £9.6m across Birmingham which is funded from £7.1m of Integrated Transport Board funding, £0.9m of DfT's Cycle City Ambition Grant and £0.9m of Local Sustainable Transport Fund grant and £0.7m of Local Accessibility funding.
  - Improvements to the highway network of £31.3m to provide better access to economic growth areas within the city containing £23m for the Metro Extension and other Enterprise Zone connectivity projects with £5.9m of Local Pinch Points and £2.4m ITB and external funding.
  - A bid for a further £22.1m of Cycle City Ambition Grant.



- 2.17 The strategy also reflects the provision of smaller improvements and enhancements to the highway and transport networks that promote economic growth, carbon reduction and sustainability, road safety, local accessibility and social inclusion. Such improvements are mainly funded from Local Transport Plan Integrated Transport Block resources.
- 2.18 From 2015/16 funding for major transport schemes will be provided from the Local Growth Fund (LGF), with resources sought on a largely competitive basis through the submission of a Strategic Economic Plan (SEP) to Government in March 2014 by the Greater Birmingham & Solihull Local Enterprise Partnership (LEP). A further £94.5m of LGF has been provisionally secured to deliver improvements to the A457 Dudley Road and strengthening works to the A38 (M) Tame Valley Viaduct (this will be included in the Capital Programme when confirmed).
- 2.19 Devolved local major transport scheme funding previously provided to the Greater Birmingham and Solihull Local Transport Board (LTB) also now form part of LGF resources controlled by the LEP. The projects below formed part of the LGF bid and funding award and are currently being progressed through the LEP and LTB governance process:
- One Station link between New St & Moor St Stations
  - Midland Metro Extension to Centenary Square (Complementary Highway Works);
  - Making the Connections (Urban Realm) and
  - Hagley Road SPRINT (bus rapid transit).
- 2.20 Other resources available for transportation purposes beyond 2014/15 include £25m of further Enterprise Zone funding to part fund the metro extension to Centenary Square, highway works within the city centre and improvements to the urban realm. In addition, funding for low carbon uses and sustainable transport is available from the European Structural Investment Fund, with resources managed at a LEP level. Other bespoke bids will be made on a case by case basis in accordance with the City Council's Gateway and Related Financial Approval Framework.
- 2.21 A new Birmingham Mobility Action Plan (Birmingham Connected) was launched in November 2014 and sets a 20 year + transport vision for the city. Birmingham Connected provides initial thoughts in terms of future funding and financing mechanisms that will developed with partners and stakeholders during 2015/16.

## Information & Communications Technology

2.22 The City Council's ICT Strategy provides the plan for delivering the information technology and information services which are required to effectively support the work of the City Council. To achieve this, it needs to balance both current and future needs in the context of available resources. The strategy proposes the most effective way of maintaining current infrastructure and services while providing the maximum flexibility in responding to future City Council initiatives.

The basic principles underlying the ICT strategy are:

- The maintenance of highly reliable infrastructure and basic corporate systems for both current and future requirements
- The traditional model of dedicated infrastructure needs to change to accommodate the need to work collaboratively with a range of partners over shared infrastructure, including web-based and cloud services
- All key systems need to be built or developed to work with mobile technology in general and with consumer devices in particular.

2.23 Applying these principles it is expected that business cases for the following projects will be brought forward for addition to the Capital Budget during 2015/16:

- £5.7m for the replacement of ageing infrastructure switches to ensure a reliability of the council's network and maintain bandwidth.
- £1.3m for replacement of telephony system and hardware upgrades that are at end of life.
- £1.8m for other ICT hardware and software upgrades and renewals.

2.24 Provision has also been made for major infrastructure replacements and upgrades from 2016/17 onwards totalling £41.8m and include:

- Windows Desktop and server operating system upgrades, including new licencing agreements £23.2m
- P7 series server replacements £5.8m
- Storage Replacement £1.7m
- Wide Area Network core switches replacement £2.2m
- VOIP Software £1.5m
- Contact Centre Software platform £1.3m
- Backup infrastructure refresh £1.3m
- Other minor schemes less than £1m each

- 2.25 The central SAP system which supports finance, procurement, HR, performance and the contact centre was installed in 2007 and delivered financial and non-financial benefits as part of business transformation. £10.6m has been provided for SAP system technical and software updates over the next 5 years to remain current and aligned to the strategic direction of the council and the downsizing of support services. The upgrades will enable more mobile technology and manager and employee self-service as well as improving system performance.

### **3. PLACE**

#### **Strategic Context**

- 3.1 The Place capital strategy covers a diverse range of assets and services, each with their own characteristics and strategic drivers for investment. The different elements are each set within the context of a number of Strategic Plans, including the Waste Management Strategy, Sport Facilities Strategy, HRA Business Plan 2015+, Housing Plan, Private Sector Housing Strategy and Planning for Housing in Later Life, taking account of the limited resources available.
- 3.2 Whilst the overall strategy is focussed around the delivery of service outcomes for residents, some elements are delivered locally on a District or neighbourhood basis whereas other elements form part of a Citywide approach. The key service areas are considered below.

#### **Fleet and Waste Management (FWM)**

- 3.3 The key focus of the service's strategy is to minimise waste, meet challenging recycling targets and minimise landfill within the context of a drive towards more sustainable disposal methods with a modernised service delivery model.
- 3.4 The focus of asset planning for FWM is the investment which forms the major part of the Full Business Case for the wheelie bin service, approved by Cabinet in September 2013. The key assets are vehicles, wheeled bins and depot improvements to enable roll-out and ongoing provision of the new service. The capital strategy identifies the funding for this investment which best utilises Government and City Council resources.
- 3.5 The roll-out of the wheelie bin service was commenced in 2014/15, covering Redfern Road and Montague Street depots and will continue in 2015/16 with Lifford Lane and Holford Way depots. The next phase of capital expenditure will see investment on the project of £24.3m including vehicles (£8.4m) and containers (£7.8m).

#### **Local service assets**

- 3.6 The effective use of local service assets is essential to the delivery of efficient services across the City Council. This is currently co-ordinated through the LoCal Project Board chaired by the Deputy Leader. This work will need to be continued under the future governance arrangements for District services which are currently being reviewed.
- 3.7 The City Council provides 39 community libraries based in Districts which support the Library of Birmingham and the localisation agenda. Whilst the operation of these facilities continues to be under review due to the need to make substantial revenue savings, it is intended to continue to provide a core service, with ongoing investment in the underlying assets.

### **Parks and Nature Conservation**

- 3.8 The investment will continue to be focussed on essential improvements to ensure health and safety standards, including pools and reservoirs. The service will seek to maximise external funding and generate income where possible in order to reinvest in the service where appropriate.
- 3.9 Expenditure planned in 2015/16 amounts to £4.3m across a range of projects.

### **Sport and Leisure**

- 3.10 The City Council provides a range of sporting and leisure facilities. This includes Alexander Stadium and the strategy focuses on improving the national profile of the city as well as providing accessible facilities to help residents maintain a healthy lifestyle.
- 3.11 The City Council has embarked on a major programme to transform the Sport and Physical Activity service, approved by Cabinet on 16<sup>th</sup> December 2013 subject to a further report to Cabinet. The strategic outcome includes a mixed economy for delivery, including asset transfer, new wet (pool) and dry facilities, management through external contractors and the establishment of a Wellbeing Service that includes retaining facilities in deprived areas as well as outreach provision in parks, open spaces and community settings.
- 3.12 The framework contract for the construction, management and operation of Sparkhill Pool is in place. A further two framework contracts will be in place by April 2015 to enable the construction, management and operation of four leisure centres and transfer of five existing facilities to private operators. A further framework contract will be developed in 2015/16, as part of the transformation programme approved by Cabinet, to transfer the management and operation of Alexander Stadium to a private operator.

### **Local Transport and Flood Management Investment**

- 3.13 A significant level of capital investment in the Highway Network has been completed as a part of the Highways Maintenance PFI contract with Amey. This provides for highway, street lighting and other street furniture investment at an overall cost of £2.7bn over the 25 year period of the contract to 2033/34.
- 3.14 The Directorate will support the strategic development of the transport infrastructure through the implementation of £5.4m of programmes of smaller improvements and enhancements at a local level to promote economic growth, carbon reduction and sustainability, road safety, local accessibility and social inclusion.

- 3.15 Additional investment will be secured for major infrastructure development including the Tame Valley Viaduct. This will promote the long term sustainability of the structures.

#### **Private Sector Housing**

- 3.16 Interventions are limited due to funding constraints since the cessation of government funding for private sector decent homes delivery in 2011. The remaining areas of activity are focussed on Independent Living and Affordable Housing.
- 3.17 Independent Living needs will be met solely through Disabled Facilities Grants which is anticipated to continue in the region of £3.8m to £3.9m per annum and will be made available to fund mandatory adaptations cases only. Whilst there continues to be substantial demand for assistance, programme delivery will be increasingly focussed on a statutory service including signposting to third sector and lower cost solutions, with adaptations prioritised for higher need cases.
- 3.18 Affordable Housing support will continue through the use of Commuted Sums and Land Receipts for specific interventions, and in particular bringing long term empty homes back into use through the Empty Property Strategy on a self-funding basis, totalling £1.1m between 2015/16 and 2017/18.

#### **Council Housing**

- 3.19 The capital strategy for council housing forms an integral part of the HRA Business Plan, which sets out, over a 30 year period, plans for revenue and capital income and expenditure relating to HRA properties to ensure that council housing is maintained over the long term. The HRA Business Plan is explained in more detail in Chapter 4.
- 3.20 The HRA Capital Strategy has a dual focus, both on maintaining existing properties at or above the Decent Homes Standard (including any structural works needed to the fabric of the buildings) and on a programme of new house building to replace obsolete and non-viable stock including the regeneration of Kings Norton and Newtown.
- 3.21 The asset management strategy to support this overall Capital Strategy includes investment of £309.3m between 2015/16 and 2017/18, directed towards:
- Continued capital investment to maintain properties in their current improved condition (renewal of key property elements based on life cycles);
  - Provision of New Affordable Housing – an investment of £328m for over 2,350 new homes for rent over the coming 10 year HRA Business Plan period;
  - Continued investment in the provision of adaptations in properties for the benefit of council tenants (delivered in parallel to the Private Sector Housing Independent Living programme);

- Clearance of obsolete housing - over 1,700 properties to be demolished over the coming 10 year period;
- Energy efficiency and green energy measures to combat fuel poverty, including installation of communal heating systems in up to 20 tower blocks

**PROPOSED CAPITAL EXPENDITURE PROGRAMME 2015/16 - 2017/18**

2015/16	2016/17	2017/18	TOTAL
		onwards*	
£'000's	£'000's	£'000's	£'000's

\* The figures for 2017/18 onwards include planned spend in later years

**People Directorate****Adults & Communities**

Personalisation, Reform & Efficiency of Adult Social Care	-	-	4,127	<b>4,127</b>
Replacement Vehicles	1,469	-	-	<b>1,469</b>
Programme of Minor Works	750	251	-	<b>1,001</b>
Substance Misuse	250	-	-	<b>250</b>
Adults IT Schemes	2,050	-	-	<b>2,050</b>
Homeless Services	3,017	-	-	<b>3,017</b>
Learning Disability Homes & Day Centres	1,011	-	-	<b>1,011</b>
<b>Total Adults &amp; Communities</b>	<b>8,547</b>	<b>251</b>	<b>4,127</b>	<b>12,925</b>

**Children, Young People and Families**

Aiming Higher for Disabled Children	-	-	721	<b>721</b>
Devolved Capital Allocation for Schools	1,130	-	2,056	<b>3,186</b>
Schools Based IT	88	-	-	<b>88</b>
Additional Primary Places - Basic Needs	43,106	-	-	<b>43,106</b>
Targetted Basic Need	1,603	-	-	<b>1,603</b>
Universal Infant Free School Meals	-	-	535	<b>535</b>
Uffculme Russell Road	575	-	-	<b>575</b>
IT Investment	3,225	-	-	<b>3,225</b>
Basic need grant (to be allocated)	-	-	74,120	<b>74,120</b>
Schools Capital Maintenance Works (to be allocated)	-	-	10,535	<b>10,535</b>
Other Minor Schemes	3	-	3,423	<b>3,426</b>
<b>Total Children, Young People &amp; Families</b>	<b>49,730</b>	<b>-</b>	<b>91,390</b>	<b>141,120</b>

**Total People Directorate**

<b>58,277</b>	<b>251</b>	<b>95,517</b>	<b>154,045</b>
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	2015/16	2016/17	2017/18	TOTAL
	onwards*			
	£'000's	£'000's	£'000's	£'000's
<b>Place Directorate</b>				
<b>General Fund</b>				
Swimming Pool Facilities	7,118	-	-	7,118
Sport & Physical Activity	9,061	26,404	4,387	39,852
Fleet & Waste Management	21,142	3,196	-	24,338
Strategic Parks	4,320	-	-	4,320
Community Initiative	546	-	-	546
Regulation & Enforcement	366	-	-	366
Community Sport	5	-	-	5
Community Libraries	680	-	-	680
Community Development	1,976	18	-	1,994
Community Parks	-	32	-	32
Districts & Neighbourhoods	6	-	-	6
<b>Total Non-Housing</b>	<b>45,220</b>	<b>29,650</b>	<b>4,387</b>	<b>79,257</b>
<b>Housing</b>				
<b>Council Housing HRA</b>				
Housing Improvements Programme	36,905	40,800	39,657	117,362
Other Essential Works	13,671	9,243	11,372	34,286
Redevelopment	40,331	46,971	41,666	128,968
Other Programmes	9,174	9,556	9,950	28,680
<b>Total Council Housing HRA</b>	<b>100,081</b>	<b>106,570</b>	<b>102,645</b>	<b>309,296</b>
<b>Private Sector Housing</b>				
Affordable Housing	350	350	350	1,050
Independent Living	3,894	3,890	3,885	11,669
Other Programmes	9,788	4,592	197	14,577
<b>Total Private Sector Housing</b>	<b>14,032</b>	<b>8,832</b>	<b>4,432</b>	<b>27,296</b>
<b>Highways</b>				
Local Schemes - Highways Programme	4,124	1,280	-	5,404
<b>Total Highways</b>	<b>4,124</b>	<b>1,280</b>	<b>-</b>	<b>5,404</b>
<b>Total Place Directorate</b>	<b>163,457</b>	<b>146,332</b>	<b>111,464</b>	<b>421,253</b>

2015/16	2016/17	2017/18	TOTAL
		onwards*	
£'000's	£'000's	£'000's	£'000's

**Economy Directorate**

# please note that Enterprise Zone resources are funding several projects across the Capital Programme including the new wholesale market and transportation programme

**Corporate Resources**

Business Transformation - Corporate	410	-	-	410
Other Minor Schemes	-	-	-	-
NEC and NIA	1,849	-	-	1,849
NEC Limited Pension Contribution	20,400	-	-	20,400
Corporately Held - Property Fund	-	5,736	-	5,736
Municipal Bonds Agency	-	-	-	-
IT Investment	13,759	13,038	34,368	61,165
Other IT Projects	1,336	-	-	1,336
Birmingham Property Projects	8,556	-	-	8,556
iCentrum	6,399	-	-	6,399
Capital Loans & Equity	11,349	-	-	11,349
<b>Total Corporate Resources</b>	<b>64,058</b>	<b>18,774</b>	<b>34,368</b>	<b>117,200</b>

**Regeneration**

East Aston Regional Investment Site	5,697	-	-	5,697
Life Sciences	7,192	-	-	7,192
Womens Enterprise Centre	555	-	-	555
Enterprise Zone general #	39,599	40,355	97,172	177,126
One Station	120	-	-	120
Longbridge Regeneration	703	-	-	703
Local Centres	1,615	-	-	1,615
ERDF Land & Property	2,042	-	-	2,042
Eastside	1,866	-	-	1,866
Big City Plan Initiative	80	-	-	80
Conservation	276	-	-	276
Business Support Programme	1,442	-	-	1,442
Local Improvement Budget	74	-	-	74
Other City Centre Projects	64	81	-	145
New Wholesale Market	34,958	7,452	493	42,903
Planning Other	148	50	101	299
<b>Total Regeneration</b>	<b>96,431</b>	<b>47,938</b>	<b>97,766</b>	<b>242,135</b>

**Transportation**

New Street Station (Gateway)	10,754	1,096	-	11,850
Grand Central (Southside)	37,455	-	-	37,455
Coventry Road A45	2,500	-	-	2,500
Local Growth Fund	2,474	2,000	-	4,474
Selly Oak Relief Road	215	-	-	215
Chester Road Improvements	4,927	-	-	4,927
Supporting Economic Growth	96	-	-	96
Infrastructure Development	700	700	-	1,400
Walking, Cycling & Accessibility	8,605	1,000	-	9,605
Economic Growth & Congestion	29,749	1,596	-	31,345
<b>Total Transportation</b>	<b>97,475</b>	<b>6,392</b>	<b>-</b>	<b>103,867</b>

	2015/16	2016/17	2017/18	TOTAL
	onwards*			
	£'000's	£'000's	£'000's	£'000's
<b><u>Culture &amp; Commissioning</u></b>				
Digital Districts	7,351	-	-	7,351
Library of Birmingham	449	-	-	449
<b>Total Culture &amp; Commissioning</b>	<b>7,800</b>	<b>-</b>	<b>-</b>	<b>7,800</b>
<b>Total Economy Directorate</b>	<b>265,764</b>	<b>73,104</b>	<b>132,134</b>	<b>471,002</b>
<b>Total Capital Programme</b>	<b>487,498</b>	<b>219,687</b>	<b>339,115</b>	<b>1,046,300</b>

## Appendix 4B (ii)

**New Schemes/Funding**

The following projects included in the above programme have been added since Quarter 2 2014/15:

	2015/16	2016/17	2017/18	TOTAL
			Onwards	
	£'000's	£'000's	£'000's	£'000's
<b>People Directorate:</b>				
Early Years Capital Programme	0	0	3,226	<b>3,226</b>
IT Investment in Children's Services	3,225	0	0	<b>3,225</b>
<b>Total People Directorate</b>	<b>3,225</b>	<b>0</b>	<b>3,226</b>	<b>6,451</b>
<b>Place Directorate:</b>				
Additional Funding for Sport & Physical Activity	9,061	20,404	(25,613)	<b>3,852</b>
Additional Funding for Sparkhill Pool	1,232	0	0	<b>1,232</b>
Private Sector Housing - Independent Living	80	81	3,885	<b>4,046</b>
Private Sector Housing - St Vincent Street	9,600	4,400	0	<b>14,000</b>
HRA	(7,213)	17,955	102,645	<b>113,387</b>
<b>Total Place Directorate</b>	<b>12,760</b>	<b>42,840</b>	<b>80,917</b>	<b>136,517</b>
<b>Economy Directorate:</b>				
IDOX Document Management System	148	50	101	<b>299</b>
IT Investment	13,759	13,038	34,368	<b>61,165</b>
Democracy in Birmingham	48			<b>48</b>
<b>Total Economy Directorate</b>	<b>13,955</b>	<b>13,088</b>	<b>34,469</b>	<b>61,512</b>
<b>Total New Schemes / Resources</b>	<b>29,940</b>	<b>55,928</b>	<b>118,612</b>	<b>204,480</b>

Note: this includes some re-phasing between years where additional resources have been identified for existing programmes

**Analysis of Prudential Borrowing**

	2015/16	2016/17	2017/18 onwards*	Total
	£m	£m	£m	£m
<b>Major Self Financed Prudential Borrowing</b>				
Business Transformation	4.5	0.0		4.5
Southside Development - Gateway	37.0	0.0		37.0
NEC Capital Works	1.9	0.0		1.9
Equity Fund	7.3	0.0		7.3
Enterprise Zone (several projects)	57.0	40.4	97.2	194.6
Creative Industries	3.7	0.0		3.7
Icentrum	6.4	0.0		6.4
Housing Private Sector - St Vincent Street	7.6	4.4		12.0
HRA	5.8	12.9		18.7
Wholesale Markets	35.0	7.5	0.5	43.0
Swimming Pool Facilities	1.2	0.0	0.0	1.2
Sport & Physical Activity	9.1	20.4	4.4	33.9
Fleet & Waste Management Transformation	16.9	3.2		20.1
<b>Total Self Financed</b>	<b>193.4</b>	<b>88.8</b>	<b>102.1</b>	<b>384.3</b>
<b>Major Prudential Borrowing with net impact on Council revenue resources</b>				
Swimming Pool Facilities	5.9			5.9
IT Infrastructure & Upgrades	13.7	12.9	34.3	60.9
Life Science Acquisition	7.2			7.2
Other	8.0		1.0	9.0
<b>Total Capital projects requiring revenue resources</b>	<b>34.8</b>	<b>12.9</b>	<b>35.3</b>	<b>83.0</b>
<b>Borrowing to replace receipts used for Equal Pay</b>	<b>51.5</b>	<b>7.8</b>	<b>1.1</b>	<b>60.4</b>
<b>Total Prudential Borrowing</b>	<b>279.7</b>	<b>109.5</b>	<b>138.5</b>	<b>527.7</b>

\* the 2017/18 onwards column includes prudential borrowing plans in later years

## Appendix 4D

**DEBT AND PRUDENTIAL INDICATORS****DEBT AND PRUDENTIAL INDICATORS:****WHOLE COUNCIL**

	15/16 Indicators £m	16/17 Indicators £m	17/18 Indicators £m
<b>Capital Finance</b>			
1 Capital Expenditure - Capital Programme	487.5	219.7	339.1
2 Capital Expenditure - other long term liabilities	27.8	27.6	28.6
3 Capital expenditure	515.3	247.3	367.7
4 Capital Financing Requirement (CFR)	4,663.7	4,665.8	4,623.8
<b>Planned Debt</b>			
5 Peak loan debt in year	3,531.3	3,496.1	3,571.8
6 + Other long term liabilities (peak in year)	513.8	492.6	470.4
7 = Peak debt in year	4,045.1	3,988.7	4,042.2
8 does peak debt exceed year 3 CFR?	no	no	no
<b>Prudential limit for debt</b>			
9 Gross loan debt	3,740.0	3,760.0	3,880.0
10 + other long term liabilities	560.0	540.0	520.0
11 = Total debt	4,300.0	4,300.0	4,400.0

**Notes**

- 4 The Capital Financing Requirement represents the underlying level of borrowing needed to finance historic capital expenditure (after deducting debt repayment charges). This includes all elements of CFR including Transferred Debt.
- 5-7 These figures represent the forecast peak debt (which may not occur at the year end). The Prudential Code calls these indicators the Operational Boundary.
- 8 It would be a cause for concern if the Council's loan debt exceeded the CFR, but this is not the case due to positive cashflows, reserves and balances. The Prudential Code calls this Borrowing and the capital financing requirement.
- 11 The Authorised limit for debt is the statutory debt limit. The City Council may not breach the limit it has set, so it includes allowance for uncertain cashflow movements and potential borrowing in advance for future needs.

## Appendix 4D

**DEBT AND PRUDENTIAL INDICATORS:  
HOUSING REVENUE ACCOUNT**

	15/16	16/17	17/18
	Indicators	Indicators	Indicators
	£m	£m	£m
<b>Capital Finance</b>			
1 Capital expenditure	100.1	106.6	102.6
<b>HRA Debt</b>			
2 Capital Financing Requirement (CFR)	1,113.5	1,126.4	1,117.9
3 Statutory cap on HRA debt	1,141.6	1,150.4	1,150.4
<b>Affordability</b>			
4 HRA financing costs	98.4	98.7	99.3
5 HRA revenues	290.0	294.1	302.6
6 HRA financing costs as % of revenues	33.9%	33.6%	32.8%
7 HRA debt : revenues	3.8	3.8	3.7
8 Forecast Housing debt per dwelling	£17,717	£17,984	£17,877
9 Estimate of the incremental impact of new capital investment decisions on housing rents. (expressed in terms of ave. weekly housing rent)	£0.00	£0.00	£0.00

**Notes**

- 2-3 The HRA Capital Financing Requirement (CFR) is being used by the Government as the measure of HRA debt for the purposes of establishing a cap on HRA borrowing for each English Housing authority.
- 4 Financing costs include interest and depreciation (in the HRA)
- 7 This indicator is not in the Prudential Code but is a key measure of long term sustainability. It is targeted to reduce this measure below 2.0 by 2025/26.
- 8 This indicator is not in the Prudential Code but is a key measure of affordability: the HRA debt per dwelling should not rise significantly over time
- 9 The cost of borrowing for the Capital Programme represents the interest and repayment costs arising from any new prudential borrowing introduced in the capital programme since the last revision at Quarter 2, expressed in terms of an average weekly rent. The calculation excludes the cost of borrowing which is funded from additional income or savings. As all planned HRA borrowing is funded from additional income in this way, the impact is zero. The Prudential Code calls this the Estimate of the incremental impact of capital investment decisions on housing rents.

## Appendix 4D

**DEBT AND PRUDENTIAL INDICATORS:****GENERAL FUND**

	15/16	16/17	17/18
	Indicators	Indicators	Indicators
	£m	£m	£m
<b>Capital Finance</b>			
1 Capital expenditure (including other long term liabilities)	415.3	140.7	265.0
2 Capital Financing Requirement (CFR)	3,550.2	3,539.5	3,505.9
<b>General Fund debt</b>			
3 Peak loan debt in year	2,417.8	2,369.7	2,453.9
4 + Other long term liabilities (peak in year)	513.8	492.6	470.4
5 = Peak General Fund debt in year	2,931.6	2,862.3	2,924.3
<b>General Fund Affordability</b>			
6 Total General Fund financing costs	264.7	279.4	292.0
7 General Fund net revenues	874.5	798.8	750.4
8 General Fund financing costs (% of net revenues)	30.3%	35.0%	38.9%
9 Estimate of the incremental impact of new capital investment decisions on Council Tax.	£0.23	£4.85	£8.72

Expressed in terms of Council Tax (Band D equiv)

(impact already included in Council Tax increases assumed in LTFP)

**Note**

- 4 Other long term liabilities include PFI, finance lease liabilities, and transferred debt liabilities
- 6 Financing costs include interest and MRP (in the General Fund), for loan debt, transferred debt, PFI and finance leases
- 8 This indicator includes the gross revenue cost of borrowing and other finance, including borrowing for the Enterprise Zone and other self-supported borrowing.
- 9 The cost of borrowing for the Capital Programme represents the interest and repayment implications arising from any changes in forecast prudential borrowing in the capital programme since Quarter 2, expressed in terms of Council Tax at Band D. The implications are cumulative in later years as successive years' borrowing is added. This impact has been funded within the Long Term Financial Plan and assumed Council Tax charges up to 2017/18. The calculation excludes the cost of borrowing which is funded from additional income or savings.



## Appendix 4D

## PRUDENTIAL INDICATORS:

## TREASURY MANAGEMENT

## CIPFA Treasury Management Code

Has the authority adopted the TM Code?

15/16 Indicators	16/17 Indicators	17/18 Indicators
---------------------	---------------------	---------------------

Yes	Yes	Yes
-----	-----	-----

## Interest rate exposures

upper limit on fixed rate exposures

upper limit on variable rate exposures (1)

Forecast	Forecast	
130%	130%	130%
30%	30%	30%

## Maturity structure of borrowing

(lower limit and upper limit)

under 12 months (2)

12 months to within 24 months

24 months to within 5 years

5 years to within 10 years

10 years to within 20 years

20 years to within 40 years

40 years and above

0% to 30%	0% to 30%	0% to 30%
0% to 30%	0% to 30%	0% to 30%
0% to 30%	0% to 30%	0% to 30%
0% to 30%	0% to 30%	0% to 30%
5% to 40%	5% to 40%	5% to 40%
10% to 60%	10% to 60%	10% to 60%
0% to 40%	0% to 40%	0% to 40%

## Investments longer than 364 days

upper limit on amounts maturing in:

1-2 years

2-3 years

3-5 years

later

200	200	200
100	100	100
100	100	100
-	-	-

## **Appendix 4E: Matters Required to be Taken into Account when Setting or Revising Prudential Indicators**

The Prudential Code requires local authorities to have regard to a number of factors when setting prudential indicators. These are set out below with a description of how they have been taken into account in the City Council's planning process, including the preparation of this report.

### **Affordability, e.g. Implications for Council Tax**

The running costs of new schemes, including borrowing costs, are provided within the City Council's financial planning process, often from within services' own budgets. Revenue budgets have been identified to meet all planned borrowing costs.

### **Prudence and Sustainability, e.g. Implications for External Borrowing**

This asks the question whether borrowing is sustainable in the long-term. Revenue budgets have been provided to repay the proposed borrowing over time in accordance with Government MRP Guidance. The City Council continues to manage its long-term financial planning through the Long Term Financial Plan to assess longer-term sustainability.

### **Value for Money, e.g. Option Appraisal**

In the prudential system, borrowing is an option which can be considered alongside other forms of finance in deciding the best value option. This is evaluated in more detail when individual projects are assessed as part of the City Council's "Gateway" process.

### **Stewardship of Assets, e.g. Asset Management Planning**

The Property and other Physical Assets Strategy is reported in Part 3 of this budget report.

### **Service Objectives, e.g. Strategic Planning for the Authority**

The capital programme has been prepared in the context of the City Council's policy priorities and major planning processes. Long-term service planning for capital investment takes place through the City Council's capital strategy development and business planning process.

### **Practicality, e.g. Achievement of the Forward Plan**

Quarterly monitoring of progress in achieving the capital budget is reported to Cabinet.

## Appendix 4F

### Debt Repayment Policy: Minimum Revenue Provision Statement 2015/16

#### Introduction

1. The Government's Capital Finance and Accounting Regulations require local authorities to make 'prudent annual provision' in relation to capital expenditure financed from borrowing or credit arrangements. This is known as Minimum Revenue Provision or MRP, but it is often referred to as a provision for "debt repayment" as a shorthand expression. The Government has also issued statutory Guidance on MRP, to which the Council is required to have regard.
2. This policy applies to the financial years 2014/15 and 2015/16. Any interpretation of the Statutory Guidance or this policy will be determined by the Director of Finance.

#### Principles of debt repayment provision

3. The term 'prudent annual provision' is not defined by the Regulations. However, the statutory Guidance says:

*"the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant".*

The Guidance does not prescribe the annual repayment profile to achieve this aim, but suggests four methods for making MRP which it considers prudent, and notes that other methods are not ruled out. The City Council regards the broad aim of MRP as set out above as the primary indicator of prudent provision, whilst recognising the flexibilities which exist in determining an appropriate annual repayment profile.

4. The City Council considers that 'prudent' in this context does not mean the quickest possible repayment period, but has regard to the prudent financial planning of the authority overall, the flow of benefits from the capital expenditure, and other relevant factors.
5. This MRP Policy therefore takes account of the financial forecast in the Council's ten year Long Term Financial Plan in determining what is prudent MRP in the circumstances. In particular, this takes account of the funding needs of equal pay settlements (paragraph 14 below) and the need for an orderly financial transition as the Council adjusts to further substantial funding reductions.
6. Consistent with the Statutory Guidance, the City Council will not review the individual asset lives used for MRP as a result of any changes in the expected life of the asset or its actual write off. Some assets will last longer than their initially

estimated life, and others will not; the important thing is the reasonableness of the estimate.

**General Fund MRP policy: borrowing before 2007/08**

7. The Council's policy since 2013/14 is to charge MRP on the pre-2007/08 borrowing at 2% of the balance at 31 March 2013, fixed at the same cash value so that the whole debt is repaid after 50 years.

This method includes repayment of the adjustment in the basis of MRP on moving from the 1989 Act system in 2004 ("Adjustment A").

**General Fund MRP policy: prudential borrowing from 2007/08**

8. The general repayment policy for new prudential borrowing is to repay borrowing within the expected life of the asset being financed, up to a maximum of 20 years, or 40 years where cyclical maintenance contributions are being fully provided. This is in accordance with the "Asset Life" method in the Guidance.

The repayment profile will follow an annuity repayment method, (like many domestic mortgages) which is one of the options set out in the Guidance.

This is subject to the following details:

- 8.1 An average asset life for each project will normally be used. There will not be separate MRP schedules for the components of a building (e.g. plant, roof etc). Asset life will be determined by the Director of Finance. A standard schedule of asset lives will generally be used, but where borrowing on a project exceeds £10m, advice from Acivico or other appropriate advisers may also be taken into account.
- 8.2 MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets where over £1m financed from borrowing is planned, where MRP will be deferred until the year after the asset becomes operational.
- 8.3 Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of the Director of Finance.
- 8.4 If appropriate, shorter repayment periods (i.e. less than the asset life) may be used for some or all new borrowing.

## Housing Revenue Account MRP policy

9. The statutory MRP Guidance states that the duty to make MRP does not extend to cover borrowing or credit arrangements used to finance capital expenditure on HRA assets. This is because of the different financial structure of the HRA, in which depreciation charges have a similar effect to MRP. The Government's HRA self-financing settlement, introduced a cap on HRA borrowing, which was equal to the City Council's opening HRA debt at April 2012. The City Council's policy is therefore that net HRA debt will reduce over the medium term, in order to deliver a debt to revenues ratio of below 2:1 by 2025/26. This will support the maintenance of a balanced and sustainable HRA Business Plan with the capacity to meet investment needs in later years. The City Council will also seek to deliver a reduction in HRA debt per dwelling.

The annual HRA net debt reduction to achieve the above policy is projected as follows in the HRA Business Plan:

**£m**

2014/15 - £6.5
2015/16 - £10.9
2016/17 - £0.0
2017/18 - £8.5
2018/19 - £16.5
2019/20 - £14.6
2020/21 - £32.9
2021/22 - £41.2
2022/23 - £45.9
2023/24 - £49.8
2024/25 - £54.9 (2:1 debt to revenues ratio achieved).

Additional voluntary HRA debt repayment provision may be made from revenue or capital resources.

## Concession Agreements and Finance Leases

10. MRP in relation to concession agreements (eg PFI contracts) and finance leases will be calculated on an asset life method using an annuity repayment profile, consistent with the method for prudential borrowing in paragraph 8 above. The Director of Finance may approve that such debt repayment provision may be made from capital receipts rather than from revenue provision.

### **Transferred Debt**

11. Transferred Debt is debt held by another local authority whose costs are recharged to the City Council (usually as a result of earlier reorganisations, such as the abolition of the former County Council). MRP in relation to Transferred Debt will be charged in line with the cash debt repayments due to the holding authority.

### **Specific situations:**

#### **Statutory capitalisations**

12. Expenditure which does not create a fixed asset, but is statutorily capitalised, will follow the MRP treatment in the Government guidance, apart from any exceptions provided for below.

#### **Cashflows**

13. Where a significant difference exists between capital expenditure accrued and the actual cashflows, MRP may be charged based on the cash expended at the previous year end, as agreed by the Director of Finance.

The reason for this is that, if expenditure has been accrued but cash payments have not yet been made, this may result in MRP being charged in the accounts to repay borrowing which has not yet been incurred.

#### **Equal Pay settlements**

14. The City Council has plans in place to fully fund equal pay settlement liabilities, primarily from capital receipts. However, there are risks to the timing and quantum of future capital receipts. As a risk management mechanism, MRP may be reduced in relation to 2014/15 or 2015/16 if there are insufficient capital receipts to fund equal pay settlement costs in that year. The revenue saving will then be used to meet the settlement costs.
15. Any such reduction will be made good by setting aside equivalent future capital receipts to provide for debt repayment, when there is a surplus of capital receipts available after funding equal pay settlements. As a minimum, any such reduction in MRP will be repaid over 20 years as a charge to revenue account on an annuity profile.

#### **Capitalised loans to others**

16. MRP on capitalised loan advances to other organisations or individuals will not be required. Instead, the capital receipts arising from the capitalised loan repayments will be used as provision to repay debt. However, revenue MRP contributions would still be required equal to the amount of any impairment of the loan advanced.

## **Enterprise Zone**

17. Borrowing by the City Council related to the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP), and which is supported by additional business rates from the Enterprise Zone or from other GBSLEP income, will be repaid within the lifetime of the Enterprise Zone or other associated income stream (subject to the estimated life of the assets being funded). This means that the repayment period for EZ - supported borrowing will reduce each year so that all EZ debt can be repaid by 2038.

## **Voluntary repayment of debt**

18. The Council may make additional voluntary debt repayment provision from revenue or capital resources. In this case, the Director of Finance may make an appropriate reduction in later years' levels of MRP.
19. Where it is proposed to make a voluntary debt repayment provision in relation to prudential borrowing from 2007/08 under the asset life method, it may be necessary to decide which assets the debt repayment relates to, in order to determine the reduction in subsequent MRP. The following principles will be applied by the Director of Finance in reaching a prudent decision:
  - where the rationale for debt repayment is based on specific assets or programmes, any debt associated with those assets or programmes will be repaid;
  - where the rationale for debt repayment is not based on specific assets, debt representative of the service will be repaid, with a maturity reflecting the range of associated debt outstanding;

Subject to the above two bullet points, debt with the shortest period before repayment will not be favoured above longer MRP maturities, in the interests of prudence, to ensure that capital resources are not applied for purely short term benefits.

## Appendix 4G: Treasury Management Policy

### 1. Overview

- 1.3.1 This appendix sets out the City Council's proposed Treasury Management Policy. This sets the overall framework and risk management controls which are used in carrying out the City Council's borrowing, lending and other treasury activities.
- 1.3.2 This policy remains largely unchanged from the Policy set out in the Business Plan and Budget 2014+, except for some changes in Investment policy and criteria in paragraph 4.5 to 4.10 below.

### 2. Statutory Guidance

- 2.1 In setting out the City Council's policy framework for the conduct of its treasury management, this document takes account of:
- CIPFA's Code of Practice for Treasury Management in the Public Services;
  - CIPFA's Prudential Code for Local Authority Capital Finance; and
  - The Government's Guidance on Local Authority Investments.

This Policy adopts the above Codes and has regard to the Government Guidance.

### 3. The City Council's Treasury Management Objectives

- 3.1 The City Council's treasury management objectives and activities are defined as:

*The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*

- 3.2 Effective treasury management will provide support towards the achievement of the City Council's business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.<sup>3</sup>

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<sup>3</sup> Paragraphs 3.1, 3.2, 3.6 and the final sentence of 4.3 are required by the CIPFA Treasury Management Code



### **Attitude to Treasury Management risks**

- 3.3 The City Council attaches a high priority to a stable and predictable charge to revenue from treasury management activities. The City Council's objectives in relation to debt and investment can accordingly be stated more specifically as follows:

*To assist the achievement of the City Council's service objectives by obtaining funding and managing the City Council's debt and treasury investments at a net cost which is as low as possible, consistent with a high degree of interest cost stability and a very low risk to sums invested.*

- 3.4 This does not mean that it is possible to avoid all treasury risks, and a balance has to be struck. The main treasury risks which the City Council is exposed to include:

- Interest rate risk - the risk that future borrowing costs rise;
- Credit risk - the risk of default in a City Council investment;
- Liquidity and refinancing risks - the risk that the City Council cannot obtain funds when needed.

- 3.5 The Treasury Management Team has capability to actively manage treasury risks within this Policy framework, and the following activities may for example be appropriate based on an assessment at the time, to the extent that skills and resources are available:

- the refinancing of existing debt;
- borrowing in advance of need;
- use of more complex sources of funding such as listed bond issues and commercial paper;
- investing surplus cash in institutions or funds with a high level of creditworthiness, rather than placing all deposits with the Government.

- 3.6 The successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of the City Council's treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

- 3.7 The City Council's approach to the management of treasury risks is set out in the rest of this Treasury Management Policy. The Director of Finance hold regular meetings with senior staff to monitor market conditions and review planned activities and performance.

#### 4. Setting limits to manage treasury management risks<sup>4</sup>

##### Interest rate exposures

- 4.1 The stability of the City Council's interest costs is affected by the amount of borrowing exposed to short term or variable interest rates. However, short term interest rates are often lower, so there can be a trade-off between achieving the lowest rates in the short term and in the long term, and between short term savings and long term budget stability. The City Council will therefore have regard to short and long term implications, and will manage the long-term debt maturity profile so that not too much fixed rate debt will mature in any year. The following limits are proposed (in the format required by the CIPFA Prudential Code):

**Table 4G.1**

**Prudential limits - interest rate exposure**

	% of loan debt (net of investments):		
	2014/15	2015/16	2016/17
upper limit on net fixed rate exposures	130%	130%	130%
upper limit on net variable rate exposures	30%	30%	30%

The currently planned variable rate exposure is set out in the Treasury Management Strategy.

##### Maturity profile

- 4.2 The City Council will have regard to forecast Net Loan Debt in managing the maturity profile. The effect of forecast cashflows especially MRP (minimum revenue provision for debt repayment) will be taken into account. Taking these factors into account the proposed limits are as follows:

**Table 4G.2**

**Prudential limits - maturity structure of fixed rate borrowing**

	lower and upper limits:
under 12 months	0% to 30% of gross loan debt
12 to 24 months	0% to 30%
24 months to 5 years	0% to 30%
5 to 10 years	0% to 30%
10 to 20 years	5% to 40%
20 to 40 years	10% to 60%
40 years and above	0% to 40%

<sup>4</sup> Throughout this Business Plan, debt and investments are expressed at nominal value, which may be different from the amortised cost value used in the statutory accounts.

### **Policy for borrowing in advance of need**

- 4.3 Government investment guidance expects local authorities to have a policy for borrowing in advance of need, in part because of the credit risk of investing the surplus cash. The City Council's policy is to borrow to meet its forecast Net Loan Debt. The City Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme, to replace maturing loans, or to meet other expected cashflows.
- 4.4 The City Council is a substantial net borrower, and only has cash to invest for relatively short periods as a result of positive cashflow or borrowing in advance of expenditure. The City Council considers all its treasury risks together, taking account of the investment risks which arise from decisions to borrow in advance. Such decisions need to weigh the financial implications and risks of deferring borrowing until it is needed (by which time fixed interest rates may have risen), against the cost of carry and financial implications of reinvesting the cash proceeds until required. This will be a matter of treasury judgement at the time, within the constraints of this Policy and treasury management delegations.

### **Investment Policy for temporarily surplus cash**

- 4.5 The City Council's cashflows and treasury management activity will generally result in temporarily surplus cash to be invested. The following paragraphs set out a policy for these 'treasury investments'. This policy does not cover investments arising from service provision, such as the Loans and Equity Funds created for regeneration purposes.
- 4.6 The investment of temporarily surplus cash results in credit risk. In accordance with Government investment guidance, the City Council distinguishes between:
- 'Specified Investments' which mature within 12 months and have a 'high credit quality' in the opinion of the authority.
  - 'Non-specified Investments' which are long term investments (i.e. maturing in 12 months or more), or which do not have such high credit quality. The Government views these as riskier. Such investments require more care, and are limited to the areas set out in the policy for Non-specified Investments below.
- 4.7 Low investment risk is a key treasury objective, and in accordance with Government and CIPFA guidance the City Council will seek a balance between investment risk and return that prioritises security and liquidity over achieving a high return. Significant changes in banking regulation are taking place to address some of the issues arising from the banking crisis, and unsecured lenders will be more exposed to losses from bank failure under EU and UK 'bail in' rules. The Council will seek to use secured forms of lending such as covered bonds and repo agreements, but these instruments are not generally available for short term and smaller size deposits. The Council's credit rating criteria have been reviewed in this context, and the Council will

continue to make deposits only with institutions having ‘investment grade’ ratings as set out in the table below. The main criteria and processes which deliver this are set out in the following paragraphs.

### Specified Investments

- 4.8 The City Council will limit risks by applying lending limits and criteria for ‘high credit quality’ as follows:

**Table 4G.3 Lending Criteria**

‘Specified’ short term investments (all in Sterling)	Short term rating*	Long term rating*	CITY COUNCIL Individual lending limit
Banks (including overseas banks) and Building Societies	F1+ /A1+ /P1	AA- /AA- /Aa3	£25m
	F1+ /A1+ /P1	A- / A- /A3	£20m
	F1 /A1 /P1	A- / A- /A3	£15m
	F2 /A2 /P2	BBB+ /BBB+ /Baa1	£10m
Sterling commercial paper and corporate bonds	F1+ /A1+ /P1	A- / A- /A3	£15m
Sterling Money Market Funds (short term and Enhanced)	AAA (with volatility rating V1 /S1 /MR1 where applicable)		£40m
Local authorities	n/a	n/a	£25m
UK Government and supranational bonds	n/a	n/a	none
UK Nationalised Banks and Government controlled agencies	n/a	n/a	£25m
Secured investments including repo and covered bonds	Lending limits determined as for banks (above) using the rating of the individual investment		

\* Fitch / S&P / and Moody’s rating Agencies respectively. Institutions must be rated by at least two of the Agencies, and the lowest rating will be taken into account.

- 4.9 Money may be lent to the City Council's own banker, in accordance with the above lending limits. However, if the City Council’s banker does not meet the above criteria, money may only be lent overnight (or over the weekend), and these balances will be minimised.
- 4.10 Credit ratings are monitored on a real-time basis on information from the City Council’s Treasury Management advisers, and the City Council’s lending list is updated accordingly, when a rating changes. Other information is taken into account when deciding whether to lend. This may include the ratings of other rating agencies; commentary in the financial press; analysis of country, sector and group exposures; and the portfolio make up of Money Market Funds. The use of particular permitted counterparties may be restricted if this is considered appropriate.

Credit rating methodologies change from time to time, and in this event the Director of Finance may determine revised and practicable criteria seeking similarly high credit quality, pending the next annual review of this treasury management policy.

### **Non-specified investments and limit**

4.11 The City Council will limit non-specified investments to £400m (there are presently none), and will use only the following categories of non-specified investments:

1. Government stocks (or “Gilts”) and other supranational bonds, with a maturity of less than five years. These may comprise up to 100% of non-specified investments.
2. Corporate bonds, Certificates of Deposit (CD) or Commercial Paper (CP) with a maturity of less than three years, subject to the lending criteria in 4.8 above. These shall not exceed 25% of non-specified investments. This may include secured investments such as covered bonds and repo agreements.

4.12 Other categories of non-specified investments will not be used (such as ‘over the counter’ deposits of a year or more to financial institutions).

### **Investment Maturity**

4.13 Temporary surplus cash will be invested having regard to the period of time for which the cash is expected to be surplus. The CIPFA Prudential Code envisages that authorities will not borrow more than three years in advance, so it is unlikely that the City Council will plan to have surplus cash for longer than three years. However, where surplus cash for over 12 months is envisaged, it may be appropriate to include some longer term (non-specified) investments within a balanced risk portfolio. The following limits will be applied:

#### **Table 4G.4**

##### **Prudential limits on investing principal sums for over 364 days:**

1-2 years	£200m
2-3 years	£100m
3-5 years	£100m

4.14 In making investments in accordance with the criteria set out in 4.5 to 4.13 above, the Director of Finance will seek to spread risk (for example, across different types of investment and to avoid concentration on lower credit quality). This may result in lower interest earnings, as safer investments will earn less than riskier ones.

4.15 The City Council does not currently use investment managers. However, if appointed, their lending of City Council funds would not be subject to the above restrictions, provided that their arrangements for assessing credit quality and exposure limits have been agreed by the Director of Finance.

## **5. Policy for HRA loans accounting**

- 5.1 In accordance with the Government reform of housing finance, local authorities need to determine their method for attributing debt and debt revenue consequences to the HRA. The City Council uses the 'two pool' method set out in the CIPFA Treasury Management Code. This method attributes a share of all pre-April 2012 long term loans to the HRA. Any new long term loans for HRA purposes from April 2012 are separately identified (starting from the £336.1m settlement payment). The detailed accounting policy arising from the 'two pool' method is maintained by the Director of Finance.

## **6. The Council acting as agent**

- 6.1 The Council acts as intermediary in its role as agent for a number of external bodies. This includes roles as accountable body, trustee, and custodian, and these may require the Council to carry out treasury management operations as agent. The Council will apply any specific treasury policies and requirements of the external body and will follow relevant legislation, having regard to this Treasury Management Policy where appropriate. In relation to the short term cash funds invested as accountable body, the Council expects to apply the investment policy set out above.

## **7. Reporting and Delegation**

- 7.1 A Treasury Management Strategy report is presented as part of the annual business plan to the City Council before the start of each financial year. Monitoring reports are presented quarterly to Cabinet, including an Annual Report after the year end.
- 7.2 The management of borrowings, loans, debts, investments and other assets has been delegated to the Director of Finance acting in accordance with this Treasury Policy Statement. This encompasses the investment of trust funds where the City Council is sole trustee, and other investments for which the City Council is responsible such as accountable body funds. The Director reports during the year to Cabinet on the decisions taken under delegated treasury management powers.
- 7.3 In exercising this delegation, the Director of Finance may procure, appoint and dismiss brokers, arranging and dealer banks, investment managers, issuing and paying agents, treasury consultants and other providers in relation to the City Council's borrowing, treasury investments, or other treasury instruments.
- 7.4 The Director of Finance maintains statements of Treasury Management Practices in accordance with the Code:

TMP1	Treasury risk management
TMP2	Performance measurement
TMP3	Decision-making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Treasury management organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money laundering
TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance

## **8. Training**

- 8.1 Planned and regular training for appropriate treasury management staff is essential to ensure that they have the skills and up to date knowledge to manage treasury activities and risks and achieve good value for the City Council. Staff training will be planned primarily through the City Council's Performance and Development Review process, and in accordance with Treasury Management Practice 10. Briefings for councillors are also held as appropriate.

## **APPENDIX 5 PAY POLICY STATEMENT 2015/16**

### **1.1 Introduction and purpose**

This Pay Policy Statement sets out the council's approach to pay policy in accordance with the requirements of Section 38 to 43 of the Localism Act 2011 and takes account of the final guidance for 'Openness and Accountability in Local Pay' as issued by the Department for Communities and Local Government. The purpose of the statement is to provide transparency with regard to the council's approach to setting the pay of its employees (excluding those working in local authority schools) by identifying;

- The methods by which salaries of all employees are determined.
- The detail and level of remuneration of its most senior employee's i.e. 'chief officers', as defined by the relevant legislation.
- The detail and level of remuneration of the lowest paid employees
- The relationship between the remuneration for highest and lowest paid employees
- The Committee(s)/Panel responsible for ensuring the provisions set out in this statement are applied consistently throughout the council and recommending any amendments to the Full Council.

Once approved by the Full Council, this policy statement will come into immediate effect for the 2015/16 financial year and will be subject to review again for 2016/17 in accordance with the relevant legislation prevailing at that time. Where by the pay policy needs to be amended during the current financial year, any amendments will be subject to approval.

### **1.2 Legislative framework**

In determining the pay and remuneration of all of its employees, the council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations.

With regard to the Equal Pay requirements contained within the Equality Act, the council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of an equality proofed job evaluation scheme that directly relates an employee's salary to the requirements, demands and responsibilities of the role.



## **1.3 Senior management**

### **1.3.1 Senior management remuneration policy**

For the purposes of this statement, senior officer means 'chief officers' as defined within S43 of the Localism Act 2011. The 'Chief Executive is employed under the terms and conditions of the Joint National Council for Chief Executives and all other senior officers are under the terms and conditions for Joint National Council for Chief Officers.

The council has job evaluation process and grading structure that has been specifically designed for senior positions that determines the grade for senior officers as defined by the Localism Act 2011. Progression within a grade is performance based on assessment through the Performance and Development Review (PDR) and approval by JNC panel. There has been no cost of living rise applied to the senior officer pay structure since April 2008. See appendix 1 of this section for the senior officer pay structure.

Those employees working in senior positions do not receive overtime payments and all other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by council policy. In determining its grading structure and setting remuneration levels for all posts, the council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

In particular, it is council's policy that no Chief Officer or Senior Officer (paid under JNC conditions of service for Senior Officers) is paid a supplement for Returning Officer duties, whether in respect of local elections or national elections (e.g. General Elections, elections for European Parliament, national referenda etc). Fees paid in respect of these elections by Government are used to supplement the pay of non-senior officer employees who have worked on the relevant election.

### 1.3.2 Senior management positions

The posts falling within the statutory definition are set out below

- a) Chief Executive -The head of paid service designated under section 4(1) of the Local Government and Housing Act 1989.

The salary for this position falls within a range of 10 incremental points from £182,500 rising to a maximum of £220,000. There is no additional supplement paid for returning officer duties incorporated into this role.

- b) Director of Legal Services - Monitoring Officer designated under section 5(1) of that Act.

The salary for this position falls within a range of 7 incremental points between £97,200, rising to a maximum of £108,000.

- c) Strategic Director (People) - A statutory chief officer mentioned in section 2(6) of that Act. This position has responsibility for both Children and Adult services.

The salary for this position falls within a range of 7 incremental points between £138,135, rising to a maximum of £153,483.

- d) Director of Finance – Section 151 Officer - A statutory chief officer mentioned in section 2(6) of that Act.

The salary for this position falls within a range of 7 incremental points between £105,300, rising to a maximum of £117,000.

- e) Deputy Chief Executive (Economy) - A non-statutory chief officer mentioned in section 2(7) of that Act.

- f) Strategic Director (Place) - A non-statutory chief officer mentioned in section 2(7) of that Act.

The salaries of the above posts fall within a range of 7 incremental points between £138,135, rising to a maximum of £153,483.

- g) Director of Public Health – a statutory post under section 73A (7) of the NHS Act, 2006.

The salary of the above post fall within a range of 8 increment points between £75,249, rising to a maximum of £101,451.

- h) The positions in the table below are deputy chief officer as mentioned in section 2(8) of that Act

Position Title	Dir	Salary Range
Director of Planning and Regeneration	Economy	£105,300 - £117,000
Assistant Director Revenues and Benefits	Economy	£89,100 - £99,000
Assistant Director Procurement	Economy	£81,000 - £90,000
Assistant Director of Corporate Strategy	Economy	£81,000 - £90,000
Director of Property Services	Economy	£81,000 - £90,000
Assistant Director Human Resources	Economy	£81,000 - £90,000
Assistant Director Library of Birmingham	Economy	£76,950 - £85,500
Assistant Director Finance Development and Culture	Economy	£76,950 - £85,500
Assistant Director Shared Services	Economy	£76,950 - £85,500
Assistant Director Financial Services	Economy	£76,950 - £85,500
Assistant Director Financial Strategy	Economy	£76,950 - £85,500
***Head of Service (Legal Services)	Economy	£52,911 - £68,672
Service Director Education and Commissioning	People	£105,300 - £117,000
Director of Health and Well-Being	People	£89,100 - £99,000
Service Director Joint Commissioning	People	£89,100 - £99,000
Service Director Business Change	People	£89,100 - £99,000
Service Director Policy and Commissioning	People	£89,100 - £99,000
Assistant Director Intergrated Services North	People	£81,000 - £90,000
Assistant Director Finance People	People	£76,950 - £85,500
Assistant Director Strategic Commissioning	People	£76,950 - £85,500
Assistant Director Intergrated Services East	People	£72,900 - £81,000
Consultant	People	*£75,249 - £101,451
**Consultant	People	*£65,922 - £81,618
Head of Commissioning Public Health	People	*£65,922 - £81,618
Senior Coroner Birmingham and Solihull	Place	£105,300 - £117,000
Director of Highways and Resilience	Place	£89,100 - £99,000
Service Director Homes and Neighbourhoods	Place	£89,100 - £99,000
Service Director Regulation and Enforcement	Place	£89,100 - £99,000
Programme Director	Place	£89,100 - £99,000
Director of Fleet and Waste Management	Place	£89,100 - £99,000
Service Director Housing Transformation	Place	£89,100 - £99,000
Assistant Director Equality, Community Safety and Cohesion	Place	£81,000 - £90,000
Assistant Director Finance Place	Place	£76,950 - £85,500
Assistant Director Sports and Events	Place	£76,950 - £85,500

\* Salary ranges are outside of the council senior manager pay structure and relate to the NHS pay structure due to a TUPE transfer of the Public Health function to the council.

\*\* There are two positions

\*\*\* There are ten positions

Although not required by statute for the policy statement the following are other senior officer positions within Birmingham City Council.

Position Title	Dir	Salary Range
Assistant Director Investment, Enterprise and Employment	Economy	£76,950 - £85,500
Assistant Director Children with Complex Needs	People	£81,000 - £90,000
Assistant Director Integrated Services South	People	£81,000 - £90,000
Assistant Director Safeguard and Development	People	£81,000 - £90,000
**Assistant Director LAC Service	People	£81,000 - £90,000
Assistant Director Integrated Services	People	£81,000 - £90,000
Assistant Director Operations Commissioning	People	£76,950 - £85,500
Assistant Director Workforce	People	£76,950 - £85,500
**Assistant Director Fleet and Waste Management Operations	Place	£76,950 - £85,500
Head of Service Integration	Place	£72,900 - £81,000

\*\* There are two positions

The senior officer positions will continue to be reviewed on a regular basis as part of the overall savings that have to be made by the council due to the cuts faced by local authorities in general over the next few years.

### **1.3.3 Recruitment to senior management positions**

The council's policy and procedures with regard to recruitment of senior managers is set out within the Officer Employment Procedure Rules as set out in [volume B, part 2(H) of the Constitution. When recruiting to all posts the council will take full and proper account of its own Equal Opportunities, Recruitment and Redeployment policies. Appointments made at this level will always include council member representation as part of the recruitment process.

The determination of the remuneration to be offered to any newly appointed chief officer will be in accordance with the local JNC pay structure (further details can be found in Annexe 1) and relevant policies in place at the time of recruitment. Where the council is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements in accordance with its relevant policies.

Where the council remains unable to recruit under an employment contract, or there is a need for interim support to provide cover for a vacant substantive senior management position, the council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through the relevant procurement process ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service.

### **1.3.4 Additions to salary of senior officers**

The council does not apply any bonus to the salary of senior officers, however progression within the salary scales is performance related. There is no element of earn back for senior managers salaries and any incremental progression is consolidated into basic pay.

In addition to basic salary, set out below are details of other elements of 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfilment of duties;

The following are applicable to all senior manager positions:

- A mileage allowance is paid to all employees using their own vehicle for work purposes and the payments are in linked to the approved HMRC rates (For current HMRC mileage rates please see <http://www.hmrc.gov.uk/paye/exb/a-z/m/mileage-expenses.htm>)
- There are currently no salary supplements or additional payments for undertaking additional responsibilities such as shared service provision with another local authority or in respect of joint bodies.

- A market forces supplements are paid where it is justified in order to fulfil a position, however, there are no such supplements being applied for Seniors officers at present

### **1.3.5 Payments on termination**

The council's approach to statutory and discretionary payments on termination of employment of senior managers, prior to reaching normal retirement age, is set out in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006, Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.

Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the Full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.

### **1.3.6 Comparators influencing pay levels**

For the purpose of context in the local government sector, Birmingham City Council is not only the largest local authority in the UK, but also the largest unitary authority in Europe serving over one million residents and has a budget of c £3.5bn. To attract suitable candidates for more senior positions that can demonstrate sufficient skills, experience and capacity required at this level as would be evidenced for example by fulfilling a comparable role in a large complex local authority, there is a very small pool from which to recruit with other authorities offering very competitive salaries considering their size. As a comparison the Core Cities group of councils that represents those of the largest eight economies outside London in England, chief executive remuneration ranges from £160,000 to over £200,000. For Liverpool and Manchester that serve a population of less than half of that of Birmingham, both the top salaries are over £200,000.

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the council will use available benchmark information as appropriate.

## **1.4 Non-senior officer employees**

Based on the application of an analytical job evaluation process, the council uses the nationally negotiated pay spine as the basis for its local grading structure (See appendix 2 for the BCC pay spine). Progression within the grading structure is contingency based and has a combination of service and contribution based increments within each of the grades (linked to the outcome of the PDR process). This determines the salary of the large majority of the non- school based workforce, together with the use of other nationally defined rates where relevant such as Soulbury and JNC/YC. The council presently adheres to national pay bargaining in respect of the national pay spine with the most recent increase effective 01 January 2015. In addition to this increase a non-consolidated payment was also made as part of the national agreement.

## **1.5 Recruitment**

New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.

## **1.6 Lowest-paid employees**

The lowest paid employee's under a contract of employment with the council are employed on full time equivalent (FTE) salary in accordance with the minimum spinal column point (SCP) currently in use within the council's grading structure. As at 1 April 2015, this is £13,521 per annum (SCP5). However, as part of the national pay agreement for 2014 – 2015 this SCP will be deleted from 01 October 2015 all employees progressing to SCP6 from that date at a FTE salary of £13,365.

The council has chosen to pay a supplement to ensure the minimum FTE salary is £14,559 based on the 'UK Living Wage' equivalent of £7.65 per hour. Following the recent review of the UK living wage this has become £7.85 per hour which is an equivalent of £14,940 FTE salary and will be implemented with effect from 01 April 2015. For the purpose of this pay statement the lowest paid employee's will be defined as those on a FTE salary of £14,940 based on the UK living wage hourly rate of £7.85 per hour.

The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce. The ratio between the highest and lowest paid employees does not exceed 20 times, however the council does not set a ratio ceiling within its pay policy for senior officers.

The current pay levels within the council define the multiple between the lowest paid (FTE) employee (£14,940 based on the UK living wage) and the Chief Executive (£182,500) as 12.2:1 and; between the lowest paid employee and average chief officer (excluding Chief Executive £99,395) as 6.5:1. Being that there has been no pay award for chief officers the pay multiples have shown a reduction of 0.3 in 2015. The multiple between the median full time equivalent earnings (£21,066) and the Chief Executive salary is 8.4:1 and; between the

median full time equivalent earnings and the average chief officer is 4.5:1. Again these pay multiples have shown a reduction for 2015 of 0.4 and 0. 2.

### **1.7 Accountability and decision making**

In accordance with the Constitution of the Council, the JNC Committee are responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

### **1.8 Publication**

Upon approval by the Full Council, this statement will be published on the council's website [www.birmingham.gov.uk/cosd](http://www.birmingham.gov.uk/cosd) and will also be available in additional formats by request. In addition, for employees where the full time equivalent salary is £50,000 or more, excluding employer superannuation contributions, the council's Annual Statement of Accounts will include the number of employees in bands of £5,000.

### Annexe 1 - Birmingham City Council – Senior Officer Pay Spine

This is the locally negotiated pay spine for senior officers covered by JNC terms and conditions of employment. These rates have been effective from April 2009 and there have been no increases since that date.

BCC Grade	Spinal Column Point	FTE Salary
L02	9	72900
	10	74250
	11	75600
	12	76950
	13	78300
	14	79650
	15	81000
L03	17	76950
	18	78375
	19	79800
	20	81225
	21	82650
	22	84075
L04	23	85500
	25	81000
	26	82500
	27	84000
	28	85500
	29	87000
	30	88500
L05	31	90000
	33	89100
	34	90750
	35	92400
	36	94050
	37	95700
	38	97350
L06	39	99000
	41	97200
	42	99000
	43	100800
	44	102600
L06	45	104400
	46	106200
	47	108000

BCC Grade	Spinal Column Point	FTE Salary
L07	49	105300
	50	107250
	51	109200
	52	111150
	53	113100
L08	54	115050
	55	117000
	57	138135
	58	140693
	59	143251
L08	60	145814
	61	148376
	62	150930
	63	153483
	L10	65
66		190000
67		193750
68		197500
69		201250
70		205000
71		208750
72		212500
73		216250
74		220000



## Birmingham City Council – NJC Pay Spine

The Birmingham City Council pay spine is based on nationally negotiated rates through the National Joint Council. These rates are effective from January 2015 and there have been no increases since that date. Spinal column points with \* indicate the payment of a living wage enhancement that would equate to an FTE salary of £14,940.

BCC Grade	Column Point	FTE Salary
GR1	005*	13,521
	006*	13,635
	007*	13,736
	008*	13,892
	009*	14,096
	10*	14,359
GR2	11	14,940
	12	15,544
	13	15,962
	14	16,231
	15	16,572
	16	16,969
	17	17,372
	18	17,714
GR3	19	18,376
	20	19,048
	21	19,742
	22	20,253
	23	20,849
	24	21,530
	25	22,212
	26	22,937
	27	23,698
	28	24,472
GR4	29	25,440
	30	26,293
	31	27,123
	32	27,924
	33	28,746
	34	29,558
	35	30,178
	36	30,978
	37	31,846

BCC Grade	Column Point	FTE Salary
GR5	38	32,778
	39	33,857
	40	34,746
	41	35,662
	42	36,571
	43	37,483
	44	38,405
	45	39,267
GR6	46	40,217
	47	41,140
	48	42,053
	49	42,957
	50	44,343
	51	45,739
	52	47,132
	53	48,538
	54	49,926
	55	51,422
GR7	56	52,911
	57	54,419
	58	56,181
	59	58,012
	60	59,907
	61	61,866
	62	63,901
	63	66,001
	64	68,672