



Birmingham

Council Business Plan 2010+ ■■■

Contents

Part

Motions

A Council Plan 2010+

B Financial Plan 2010+

MOTIONS FOR COUNCIL

Council Plan 2010+

1. That the updated Council Plan be approved.

Revenue Budget

2. That the following calculations be now made in accordance with Section 32, Local Government Finance Act 1992, for the financial year commencing 1 April 2010:

	£m
a. aggregate of estimated expenditure, contingencies, and contributions to financial reserves	3,561.958
b. aggregate of estimated income, and use of financial reserves	2,548.629
c. budget requirement, being the difference between (a) and (b) above	1,013.329

That the revenue budget allocations of the various Cabinet Portfolios and Committees of the Council, as set out in Appendix D of Section B to the attached report, be approved.

Council Tax - Basic Amount

3. That the basic amount of Council Tax, for City Council services, for the financial year commencing 1 April 2010 be set at £1,113.67, pursuant to the formula in Section 33, Local Government Finance Act 1992 -

a. Budget requirement of	£ 1,013,329,000
LESS	
b. Redistributed non-domestic rates and Revenue Support Grant of	678,016,726
LESS	
c. Net transfer from the Collection Fund in respect of Council Tax and Community Charge	2,649,000
	<hr/>
	332,663,274

DIVIDED BY the Council Tax Taxbase of 298,709 Band D properties

Council Tax - Total

4. That, in accordance with Section 30 of the Local Government Finance Act 1992, the amounts of Council Tax set for the financial year commencing on 1 April 2010 for each category of dwelling listed within a particular valuation band, shall be calculated by adding:
- a. the amount given by multiplying the basic amount of Council Tax by the fraction whose numerator is the proportion applicable to dwellings listed in a particular valuation band, and whose denominator is the proportion applicable to dwellings listed in valuation Band D; to
 - b. the amounts which are stated in the final precepts issued by the West Midlands Fire and Rescue Authority and the West Midlands Police Authority; to
 - c. the amounts stated in the precept issued by the New Frankley in Birmingham Parish Council

and shall, for areas without a Parish Council, be:

Band	Council Tax £
A	840.63
B	980.74
C	1,120.84
D	1,260.95
E	1,541.16
F	1,821.37
G	2,101.58
H	2,521.90

and shall in the New Frankley in Birmingham Parish be:

Band	Council Tax £
A	869.39
B	1,014.29
C	1,159.19
D	1,304.09
E	1,593.89
F	1,883.69
G	2,173.48
H	2,608.18

Capital Strategy and Budget

5. That the proposals for the capital programme and prudential indicators, as set out in Chapters 6, 7 and 8 and Appendices I, J, K and L of Section B of this report, be approved.

Treasury Management

6. That the Treasury Management Strategy for 2010/11, as set out in Chapter 9 of Section B, and the Treasury Management Policy, as set out in Appendix M, be approved.



Birmingham

Council Plan 2010+ 

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Foreword

Delivering excellence and value for money

Birmingham is a successful, confident and growing city – a global city with a local heart. We boast a diverse culture and strong, productive links to countries across the globe. Birmingham is an exciting and vibrant city with over a million residents and attracts increasing numbers of visitors. Most importantly, as the regional capital at the heart of the city region we are the driver of the region's economy.

This year we refresh our Council Plan against a challenging national backdrop. New pressures and challenges have emerged and the economic cycle has shifted.

Nevertheless, Birmingham continues its journey towards excellence. Frontline services remain paramount, and almost all of these are now rated “good” or better. We have one of the best records for fiscal discipline in England, delivering, over the past four years, the lowest average annual council tax increase of any Metropolitan District or Core City in England. This is reflected in nationally-leading levels of resident satisfaction with the council's value for money.

We continue to tackle challenges head-on, devoting time and resource to critical emerging challenges like improving Children's Safeguarding, and responding to the global economic downturn.

We have a strong reputation for developing and managing strategic transformation which will enable us to make further step improvements. We are increasingly working with partners on cost-effective approaches to deliver key outcomes, aiming to use all Birmingham's resources in an intelligent way.

Critical to our continued success is the hard-work of all council members and officers and, in particular, the Council's overview and scrutiny function. Scrutiny, our critical friends, help us to move forward through thorough efficiency reviews, the results of which will help us implement the Council Plan in the most effective way.

We are looking forward, therefore, with confidence in our ability to deliver, yet mindful of the challenges ahead of us. I believe that our Council Plan, and the partnership working that underpins it, will help us continue to drive forward improvements for a city that we can all be proud of.

Councillor Mike Whitby **INSERT PHOTO**

Leader of Birmingham City Council

Progress through partnership

Birmingham has faced many challenges in 2009. Against a backdrop of severe economic conditions we have worked hard to maintain frontline services and a high quality of life for everyone in this city.

Tackling the recession has been embedded in our work. Particular focus has been placed on stimulating new jobs by developing emerging innovative sectors such as the green and digital economies. Working closely with Be Birmingham, our local strategic partnership, we intend to secure over 2,000 placements through the Future Jobs Fund for unemployed people in Birmingham. As of February 2010 we have already got over 500 people into these placements. This has been successful in helping the long term unemployed off benefits and into work.

Building on the progress made in partnership working, we will aim to fully embed the Total Place approach. We will implement the lessons learnt from the recent pilot and redesign services to maximise the effectiveness of the contributions of all partners. In doing so we believe that we can protect outcomes for local people whilst at the same time save money.

December 2009 saw the launch of an area assessment where, for the first time, Government inspectors provide their view of what it is like to live in an area. Called "Oneplace", it awarded Birmingham green flags for tackling climate change and reducing CO₂ emissions and for working in partnership to meet housing need. Inspectors also reiterated the need to improve hospital discharge arrangements and children's safeguarding.

I am personally responsible for the work on climate change, and am delighted it was awarded national exemplar green flag status. Climate Change is a key issue and the green flag indicates our exceptional leadership and innovation.

This updated Council Plan demonstrates our dedication to improving performance year on year and delivering value for money for Birmingham people.

Councillor Paul Tilsley **INSERT PHOTO**

Deputy Leader of Birmingham City Council

Background

Birmingham 2026, the Sustainable Community Strategy, sets out the future vision of the city. It was developed through extensive consultation with the people of Birmingham. Our Council Plan for 2010/2013 explains how we will help turn this vision into reality. By working with our partners towards the same goals, we plan to achieve real improvements for all our residents.

It's 2026...

Birmingham is the first sustainable global city in modern Britain. It is a great place to live, learn, work and visit: a global city with a local heart.

Birmingham people are healthy and enjoy living together.

Birmingham is a safe, clean and friendly city tackling climate change and enhancing the local environment.

Birmingham people have high aspirations, skills and the opportunities they need to succeed.

Birmingham is globally competitive, contributing fully to the thriving, prosperous and sustainable region.

We have defined our vision according to the five long-term **strategic outcomes** Birmingham people identified. We want to enable Birmingham people to:

- 1. succeed economically**
 - benefit from education, training, jobs and investment
- 2. stay safe in a clean, green city**
 - living in safe and clean neighbourhoods
- 3. be healthy**
 - enjoy long and healthy lives
- 4. enjoy a high quality of life**
 - benefit from good housing and renowned cultural and leisure opportunities
- 5. make a contribution**
 - value one another and play an active part in the community.

The Council Plan defines **sub-outcomes** that will help us to achieve the five long-term strategic outcomes. The plan gives further details about what we aim to accomplish over the next three years (page 22 onwards). It contains challenges and priority actions relating to each of the sub-outcomes. The challenges explain what might make progress difficult and the priority actions explain how we will overcome these and achieve the sub-outcomes.

Our planning framework

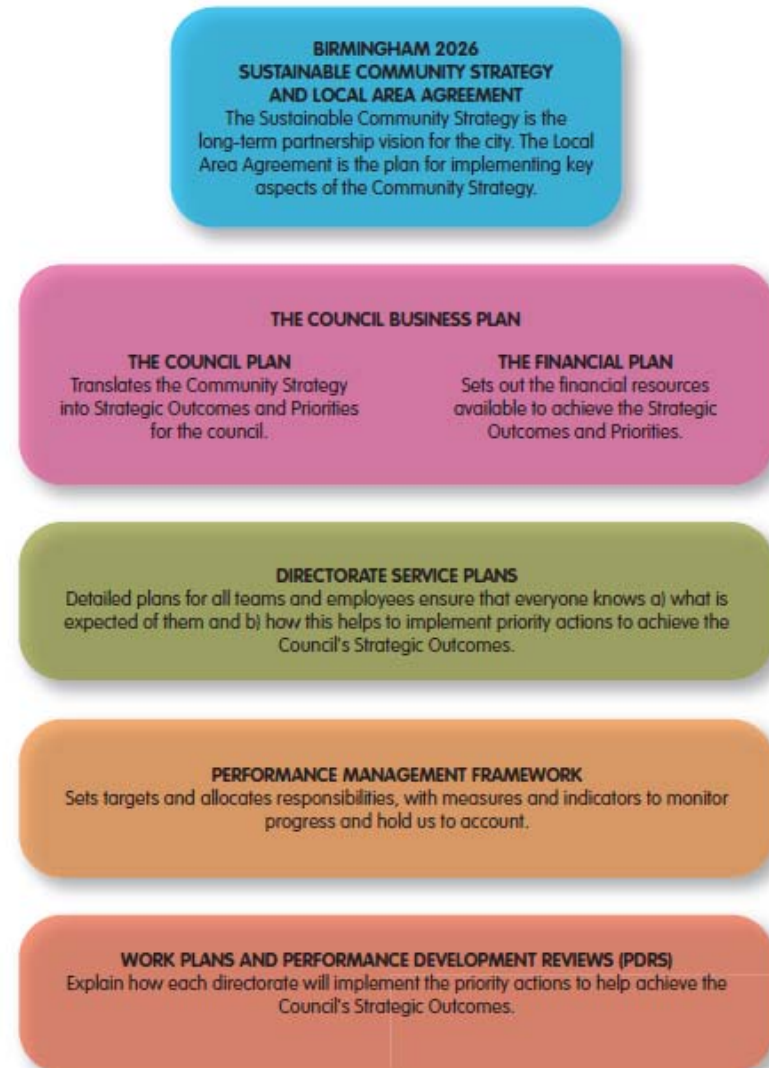
We are constantly working towards achieving Birmingham 2026, the long term vision for the city. To maintain progress, our policies, plans and processes are governed by a robust planning framework (see Figure 1). All plans and strategies within this framework relate to Birmingham 2026.

The framework gives us the means to deliver and improve local services. It also helps us to manage our performance. It covers everything from the Council Plan itself to detailed work plans for front line staff. The framework also includes Personal Development Reviews that provide day to day focus for teams and individual members of staff.

With this framework, we aim to:

- prepare for significant reductions in public spending by taking tough decisions on priorities in collaboration with Birmingham people
- shift resources to align with our priorities
- ensure all members of staff understand the expectations and behaviours needed in delivering council services (applying the BEST principles and following the Birmingham Way)
- ensure that Performance Development Reviews are completed by each manager who supervises staff. This gives consistency to supervision and work plans. It also helps link council and service aims to the work of individual employees and their development needs
- make continuous improvement and address performance gaps
- ensure our targets are SMART (Specific, Measurable, Achievable, Realistic and Timely) and are focused on achieving our strategic outcomes
- plan recovery action in areas of under performance by regularly reviewing our progress, performance, resources and the views of Birmingham people
- involve all stakeholders in managing performance.

Figure 1: Planning Framework



Transforming the way we work to deliver efficient services

We are making fundamental changes to enable Birmingham City Council to deliver better services to residents. The Council Leader, Cllr Mike Whitby, agreed with Full Council in September 2009 that future public services in the city need to be characterised by:

- systematic Business Transformation, working with partners to redesign more cost-effective services
- developing personalised public services, rather than “one size fits all”
- shifting the balance from dealing with symptoms to addressing and preventing underlying problems
- increasing cost-effectiveness through collaboration with partners: directing all of the public funding in Birmingham (some £7.5 billion) coherently to achieve our joint ambitions for the city
- people and communities able to help themselves to produce positive outcomes and reduce dependency on the state.

The first of these, **Business Transformation**, is part of our commitment to achieving excellence and is made up of nine programmes. Most of these focus on the organisational changes needed – procedures, processes, organisational structures, job roles – as well as on technology. Others focus directly on specific service areas. The goal of Business Transformation is to substantially improve services and increase efficiency. We also aim to become an employer of choice, with better job satisfaction for employees.

For a £600 million investment the complete programme will deliver £1.5 billion (gross) of cashable benefits over 10 years. Since its launch we have already achieved a great deal. We have realised in excess of £60 million per annum benefits and developed a national and international reputation as a world leader in transformation.

The following table summarises the nine programmes and their associated milestones in the next few years.

Programme title	Purpose	Milestones
1. Transforming our business and providing value for money	Achieving significant savings through better procurement, an “Amazon.com” style of ordering, greater compliance with corporate contracts, and more consistent financial information	<ul style="list-style-type: none"> • By 2012, we will have achieved £520 million of the planned £541 million ten-year cashable benefits from the programme. • We will continue to transform our business through more integrated processes. Standards, best practices and resources will be shared across the Council at a reduced cost, delivering more consistent outputs.

Programme title	Purpose	Milestones
2. Providing enhanced workspaces	Providing a better staff environment and supporting agile working to help deliver improved services to our customers	<ul style="list-style-type: none"> • By 2012, we will have 9,100 employees working in new or modernised central administration buildings. These buildings will optimise the use of space, reduce maintenance backlogs and incur lower energy costs. • Staff will have the benefit of state of the art IT and information systems. • The use of office space will be reduced by 33%, compared to the previous use of buildings. • Included in the programme are the Council House and a brand new building at Woodcock Street.
3. Having a first class workforce	Making the best use of people resources, improving performance, and becoming an employer of choice	<ul style="list-style-type: none"> • By 2011, managers and staff will be equipped with new systems and tools to improve performance. Modern IT systems will have replaced old style paper- based systems. • A new payroll system, new performance management framework and “real time” management information will greatly improve planning. • Employees will be clear about how they contribute to the Council’s goals, will be motivated to succeed and be supported in their development.
4. Making better use of information	Improving the way that we create, manage and use our information resources	<ul style="list-style-type: none"> • By 2011 we will have introduced new methods of using information to make services more efficient and effective. • We will introduce electronic document management systems across the Council during 2010. • A universal address system (Local Land Property Gazetteer) will be shared by all Council departments. • A single geographic information system that is available to all citizens via a web browser has already been introduced.

Programme title	Purpose	Milestones
5. Being customer focused	Offering a choice of methods for simpler access to services; more consistent responses to customers by staff; resolving more enquiries in the first contact; tracking our performance on service requests made by customers, staff and members	<ul style="list-style-type: none"> • By 2011 we will have introduced improved access to services via: <ul style="list-style-type: none"> ➤ a single telephone number, email and postal address for all services ➤ a new website with personal customer accounts which show and track all of the customer's service requests ➤ a network of service points across the city in new Customer Service Centres and refurbished Neighbourhood Offices • first time resolution for 80% of enquires (by 2013) • the means for people to track service request progress (by 2013)
6. Providing brighter futures for our children	Improving outcomes and life chances for all children in Birmingham, especially our vulnerable children, through proven prevention and early intervention programmes	<ul style="list-style-type: none"> • By 2011 we will have greatly modernised and improved the way we work in partnership with other agencies and with children and young people. We will have implemented a much more effective method of keeping records for children (Children's Integrated Case Management System). • By 2012 we will have completed a comprehensive range of evidence-based pilot studies. These will determine the best way of preventing children from developing problems as they become adults. If successful, we will roll these out across Birmingham.
7. Changing social care for adults	Giving adults more control to live the life they choose, and supporting them to be more independent for longer	<ul style="list-style-type: none"> • An electronic social care record (replacing a paper-based system) will be in place during 2010. • By 2011 we will have given service users individualised budgets to enable them to choose the care they need.
8. Delivering a sustainable environment	Improving council use of energy, water, and transport services to reduce overall costs and carbon emissions in the future	<ul style="list-style-type: none"> • By 2011 we will have developed a comprehensive plan for reducing carbon emissions and a sustainable approach to council services.
9. Delivering a 3-star housing service	Delivering homes to be proud of by providing quality housing that meets the needs of everyone in the city	<ul style="list-style-type: none"> • By December 2010 we will have achieved the Decent Homes Standard for 100% of stock. We will also achieve the Decent Homes Plus Standard and continue to improve year on year to be an excellent housing service.

Listening to residents

Working with partners, we listen closely to Birmingham people. In October 2009 we introduced the Birmingham Be Heard Consultation Database, an online consultation portal enabling people's views to be heard more easily. We now routinely review all the feedback. We check what we've done in response to previous feedback, and plan how to respond to new issues through our service plans.

We have a new customer knowledge team. This helps us understand the needs and preferences of Birmingham people so that we can plan our services more effectively.

One of our major consultation exercises is the **Birmingham Annual Opinion Survey**. Tens of thousands of face-to-face interviews have been carried out with adult Birmingham residents since 1997. In 2008 Birmingham residents told us that their top three concerns were i) clean streets, ii) the level of crime, and iii) activities for teenagers. We have been addressing these throughout the year as can be seen below.

Clean streets

- Our street cleansing service has been working closely with the Keep Britain Tidy Group, resulting in:
 - the creation of deep cleaning squads
 - more fly-tipping and graffiti being cleared
 - ward based street cleansing teams in the majority of wards across the city
 - a joint venture with the Birmingham Environmental Partnership to recruit and train 350 volunteer residents as Street Champions. They monitor litter and environmental degradation, and organise community-based litter-picking and other events to improve the environment. Quality Inspectors have been appointed to ensure work is of a high standard
 - a commitment to reducing graffiti through intelligence, enforcement, prevention and effective cleansing.

The level of crime

- With the Safer Birmingham Partnership, we are working to keep Birmingham the safest big city. We are also investigating which aspects of crime people feel are key issues for the city.
- Birmingham has a dedicated anti-social behaviour unit. The unit works closely with the Home Office, recently offering assistance to the national anti-social behaviour squad.
- We have introduced a Bus Monitoring Scheme to reduce actual crime, fear of crime and anti-social behaviour amongst school pupils. We are now expanding it across Birmingham. We are also working through the Council's school travel plan team to increase safety at bus stops close to schools. This will include better bus stop positioning, safety barriers & CCTV.

Activities for young people

- We want to help young people to respect and be respected by each other, their parents and other people in the community. With our partners we are designing activities to reduce anti-social behaviour and encourage positive behaviour.
- The Council's Arts and Young People's Team is mapping young people's arts activities in the city to identify gaps in provision. This will help us to target resources in the future. The team has also launched the Family Friendly kite mark and twenty arts organisations have now achieved this standard.
- We have developed a 'youth offer' to support informed choices by 13-19 year olds (or up to 25 years for people with learning difficulties). This means that we will provide them with:
 - recreational, cultural, sporting and learning opportunities
 - safe and enjoyable places in which to spend time
 - information, advice and guidance about any aspect of their lives
 - opportunities to make a positive contribution through volunteering in their neighbourhood and city.
- The "ineed2know" website provides an online directory of activities, information and services for children, young people and their families. It is also used by professionals who work with these groups.
- Funding has been secured for new young people's centres in Longbridge, Aston and Stockland Green. Funding has also been found to renovate a young people's centre in Yardley.
- The Council's youth service has overseen the Youth Opportunity and Youth Capital funds, to which only young people aged 13-19 can apply. Panels of trained and supported young people make all the decisions about how funds are spent. To date, £4.2 million has been allocated.

Looking ahead

In 2009, residents identified the top three challenges facing the city as:

- Helping people to find jobs
- Dealing with crime
- Making people feel safer.

These inform many of our current priority actions listed throughout this plan.

Financing our priorities

The City Council's financial plan is driven by the priorities agreed by the Council and its partners. These directly contribute to the Local Area Agreement which delivers the city's long-term vision set out in Birmingham 2026. The plan reflects the long-term financial strategy. This aims to eliminate inefficiency and use robust processes to invest in more cost-effective front-line services for residents.

Our approach to financial planning aims to ensure:

- clear links between resource allocation and priorities
- a focus on delivering a balanced budget
- a strategic approach to efficiency savings rather than a simple annual budget allocation
- rigorous review of spending to deliver value for money.

Our Council Tax increase in 2010/11 is 1.9%. Once again this is below the rate of inflation. Our long-term plans also assume that this will be the increase in each subsequent year. The plans also include an efficiency programme to reduce waste and unnecessary bureaucracy.

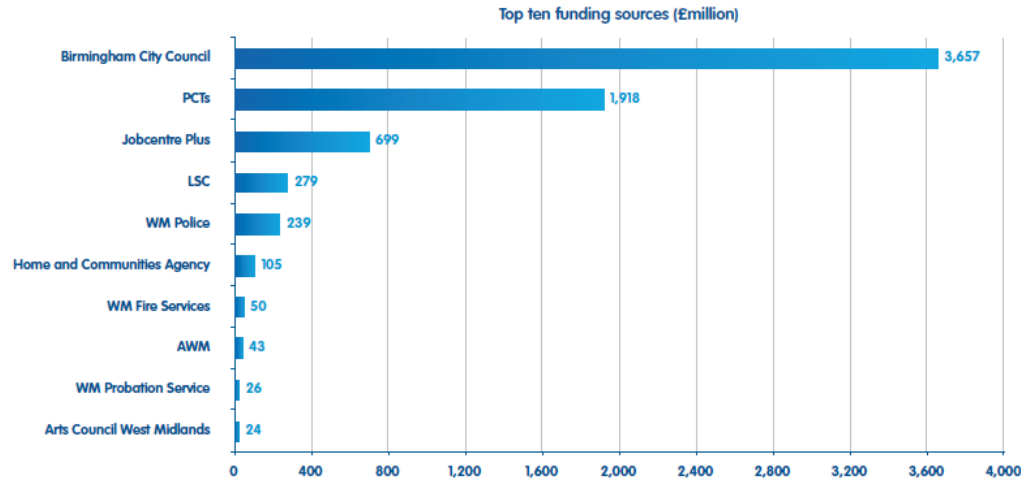
We are delighted to have achieved some of the lowest council tax increases in the country for the last four years. Our residents' perception-ratings of value for money now place Birmingham City Council in the best quarter of all metropolitan councils in the country.

Public investment in Birmingham

The Council and its partners are adopting an approach known as Total Place. This aims to invest the totality of public funding coming in to the city in the most cost-effective activities to deliver our shared priorities for Birmingham.

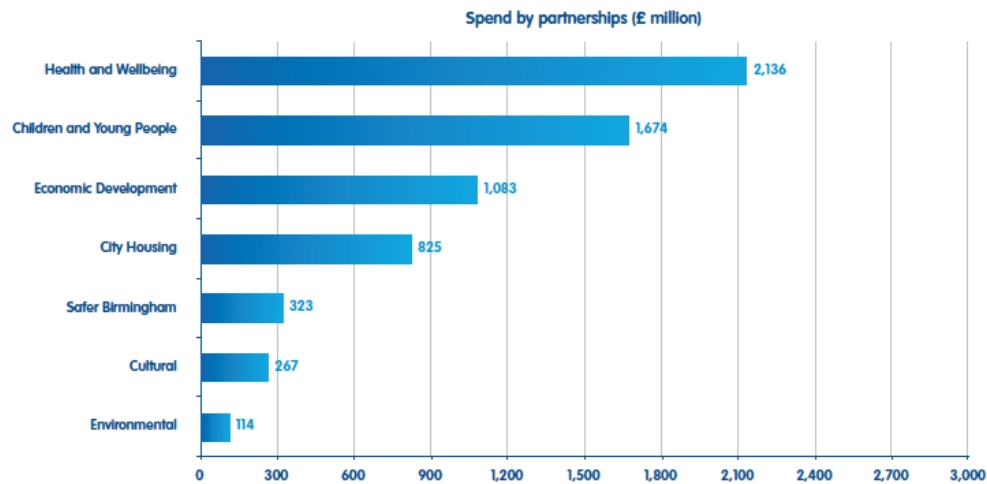
As part of this we have for the first time mapped public investment and spending across organisations in the city. We found that over £7,500 million was spent in 2008/09 in Birmingham. We are now working with partners to see how we can make best use of this whole investment pot for Birmingham.

The funding is allocated through different organisations (2008/09) as follows:



Detailed analysis of this spending is helping partners to re-evaluate how the money is spent so that we can target this more cost-effectively.

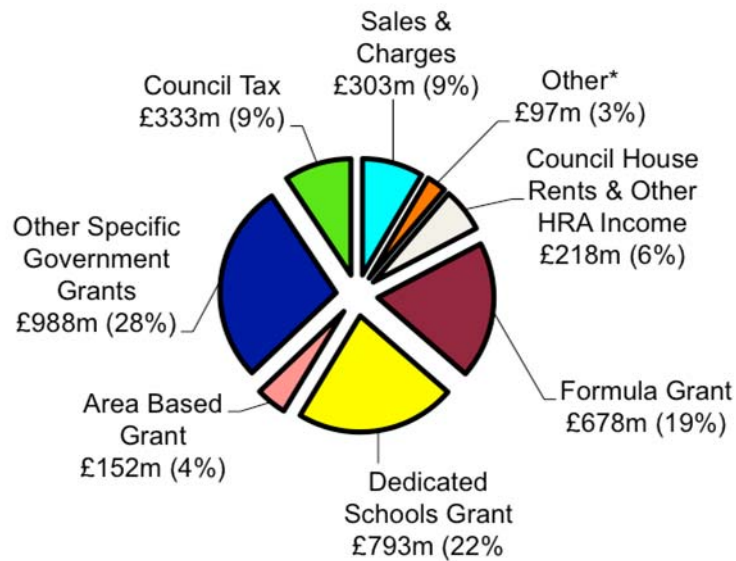
An approximate allocation to the outcomes covered by the Be Birmingham thematic partnerships (2008/09) is as follows:



Birmingham City Council's budget 2010/11

The following diagram illustrates where the City Council's money for revenue expenditure comes from and where it will be spent. Revenue expenditure involves spending on the day-to-day running costs of the Council, for example employees, premises, supplies and services.

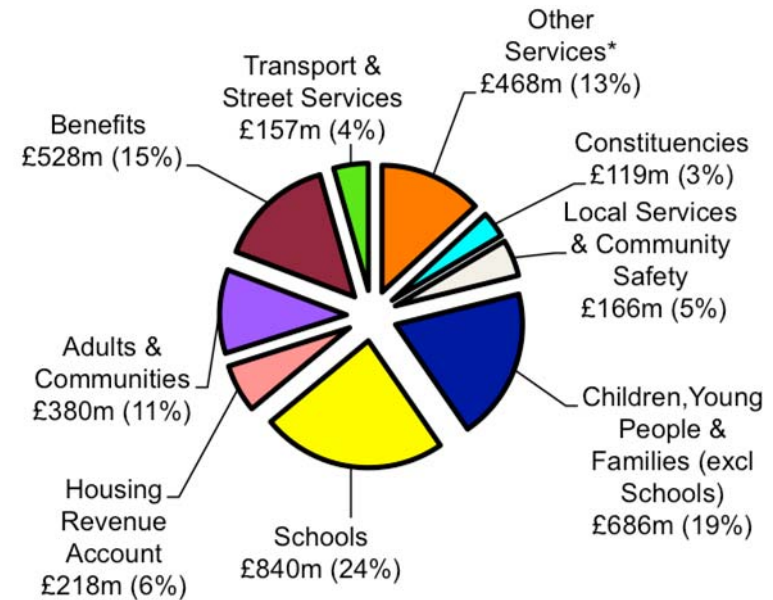
Where the money comes from - 2010/11



Total: £3,562m

*Other Rents £59m; Other Grants & Contributions £34m; Transfer from Collection Fund £3m; Application of Corporate Resources £1m.

Where the money is spent - 2010/11

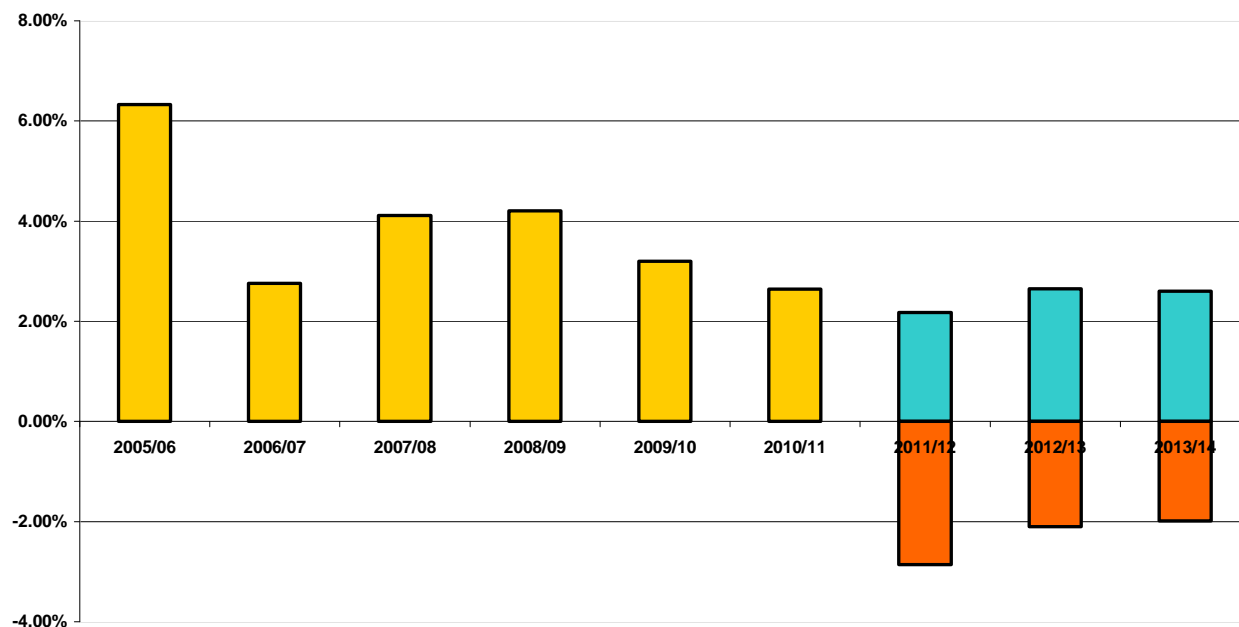


Total: £3,562m

*Other Services includes: Central departments/budgets £259m: Leisure, Sport & Culture £68m; Regeneration £66m; Housing General Fund £44m; Regulatory Committees £31m.

As the future funding position of the Council is unclear, we developed a number of different scenarios of the main resources available (formula grant and council tax). These range from the assumptions made in February 2009, based on historic increases in the Government's formula grant, to those based on an analysis of the recent national Pre-Budget Report, which suggests that resources will decline by 2 – 3% in each of the three years from 2011/12. As a prudent measure, council departments have been asked to plan on the basis of a 3% cash reduction each year from 2011/12 to 2013/14. In addition, there may well be reductions in the area based grant, currently around £150 million each year, although there is not yet any detailed information about this.

Historic and Forecast Annual Rate of Change in Available Resources (Formula Grant plus Council Tax), 2005/06 to 2013/14



Scenario A – Based on the average historic increase in formula grant, and Council Tax increases of 1.9%. These were the figures calculated by the Council in February 2009

Scenario B – Based on Formula Grant reductions of around 5% per annum, and Council Tax increases of 1.9%. These figures are based on the announcements in the Chancellor's recent Pre-Budget Report

Comprehensive Area Assessment – December 2009 results

The Audit Commission and five other inspectorates issued joint assessments of local areas on 9th December 2009.

Birmingham was one of only ten areas (out of over 150 areas assessed) to be awarded two green flags for outstanding achievements. This recognised our performance in:

- tackling climate change and reducing CO₂ emissions
- working in partnership to meet housing need.

The assessment highlighted a single red flag for significant concerns about people returning home after a stay in hospital.

The assessment confirmed progress in the way we safeguard our children, whilst recognising that partners (including the Council) need to further improve these services.

The inspection also assessed the performance of the Council as an organisation. It concluded that Birmingham City Council performs adequately. The Council continues to offer people mostly good services and the way it uses its resources is judged as adequate. There are still concerns about the quality of services to safeguard children.

The area and organisation assessment reports are available at: <http://oneplace.direct.gov.uk>

The Council and its workforce

The City Council employs a core workforce of 53,000 of which 27,000 are schools based staff. Not all employees work full time and the number of Full Time Equivalents (FTEs) is 40,100, of which 19,600 are schools based. However, due to the economic climate and cuts in public expenditure the number of people directly employed will have to fall. This reflects an assumed 3-5% budget reduction for each of the next three years.

As we move through the new decade we need the workforce to be flexible and responsive to changes in service delivery. Informed planning will ensure that the size and shape of the workforce matches service needs. We are working with Directorates to address national shortages and skill gaps in core employment areas. These include planning and social work, and in particular children's social work. As well as responding to the immediate shortfalls, this will develop long term planning and creative solutions to obtain and retain these skills in the future.

Our Human Resources strategy, "Making Birmingham the Best", will make this happen. It addresses immediate workforce priorities and ensures that longer term workforce development is built into the Council's People Plan. The following section explains the strategy.

"Making Birmingham the Best"

Building and maintaining a first-class workforce is vital to achieving our strategic outcomes and delivering service improvements and efficiencies. Our strategy "Making Birmingham the Best" has six outcomes:

- **Leadership development** – building visionary leadership in both political and managerial roles and planning for future succession
- **Performance improvement** – using excellent people management practice, measuring outcomes and celebrating success
- **Organisational design and development** – implementing large scale change successfully
- **Skills development** – developing employees' skills, knowledge and behaviour in an innovative, high performance and multi-agency context
- **Talent management** – planning for future skill shortages, promoting jobs and careers, identifying and developing talent and addressing diversity issues
- **Reward management** – new pay systems to encourage high performance, including a total rewards approach.

The strategy reflects the Council's guiding principles of Belief, Excellence, Success and Trust (BEST) by aiming to:

- involve, consult and promote good communication amongst staff
- encourage innovation, creativity and leadership
- share responsibility for the work environment and for increased productivity.

The strategy also reflects outcomes of the Pay and Grading review, the roll-out of Performance Development Reviews (PDRs) and the citywide implementation of workforce planning. It means that for the first time, the City Council:

- has a performance framework that links each staff member's objectives to outcomes and priorities within the Council Plan. This is known as the 'Golden Thread'
- is developing a picture of its future workforce needs
- is proactively working with partners to address areas of skills shortages
- is using the People Solutions IT system as the key communication mechanism for people management.

Our human resources service provides:

- a clear and modern approach to workforce, financial and service planning, which will help us create a flexible and competent workforce
- an accessible framework for learning and development, with strong links between individual learning, business objectives and performance, and demonstrable outcomes
- talent and succession planning that will improve the leadership in the organisation
- strong employee engagement policies and practices which help us to deal with change
- a recognition system that supports the City Council objectives and is crowned by the Chamberlain award for outstanding employees.

Accelerating economic recovery

The impact of the recession

When we update our plans for the City Council, we are always considering government policy and the economic and social changes affecting the city. These often create new needs, opportunities or pressures that we must address. The recession is creating a very challenging economic and social environment. Unemployment throughout the city has risen considerably, and experience from past recessions suggests that it will continue to rise in 2010-11. This makes it harder for us to reduce worklessness and increase the city's employment rate.

The country's finances have been hit hard by the recession. It is clear that over the coming years the government will expect public services to do more with less money. The recession is reducing the Council's income, which puts new pressures on services. Planning applications have fallen leading to lost income from associated fees and charges and from the construction industry. Council tax income is falling as more people become unemployed. Fewer people are paying to use our leisure services, people are using car parks less and it is becoming harder to get private sector sponsorship for events.

We are seeing more demand for services such as:

- debt advice
- housing and benefits advice
- homelessness services
- housing benefits
- free school meals
- neighbourhood offices.

This means we have to work even harder to save money through greater efficiency, and find new ways of giving people even greater value for money. To this end, Birmingham has participated in the national Total Place pilot programme. This aims to deliver better value for money by working in partnership to make services more cost effective.

The Council faces a number of specific challenges which include:

- making sure we have a full and up to date understanding of the city's needs
- ensuring that mitigating the impact of the recession and positioning the city for the upturn is, and remains, the key priority
- co-ordinating and monitoring cost-effective and sustainable interventions across the city
- getting the balance right between long term and short term interventions
- raising the profile of the various interventions and effectively communicating what is happening.

Our response

Our response to the recession is focused in two strategic ways:

1. immediate actions to help businesses, residents and communities affected by the recession
2. medium to long-term measures to invest in the future and ensure that the city can take advantage of the upturn when it comes.

Funding: funding has been targeted to tackle the impacts of the economic downturn. It will also address the long-term issues that have resulted in significant unemployment in parts of the city over a number of decades. Overall the City Council and its partners are spending more than £120m through:

- Working Neighbourhoods Fund (WNF) to tackle worklessness
- Support to businesses, including help with business rates and loans for projects where alternative finance is unavailable
- The Future Jobs Fund which aims to directly help over 2,000 people who are currently unemployed
- Investment from the European Social Fund and the European Regional Development Fund linked to the Multi Area Agreement for Employment and Skills.

Co-ordination: we have put in place arrangements across the Council and partners to:

- collate intelligence on the economic downturn
- plan and track the response to the recession
- brief the city's leaders
- co-ordinate internal and external communications on the impact of and responses to the recession
- focus on short and medium-term plans, considering any additional responses and interventions the Council could make.

Further development includes:

- bringing forward public sector infrastructure projects which will create jobs in Birmingham, including the Library of Birmingham and New Street Station
- attracting investment into the city through the Big City Plan and Area Investment Prospectus, and improved marketing of the city
- supporting innovation and enterprise in key growth sectors
- supporting businesses in local centres to sustain local economic regeneration
- capturing major employment and apprenticeship opportunities from new investments and developments in the city and connecting local people to these
- maximising the Council's procurement resources to support the development of local enterprise and encourage suppliers to open up more employment and training opportunities

- collaborating with neighbouring local authorities and other partner organisations, particularly in financing schemes through Accelerated Development Zones (and other options). This will make a positive difference to improving the economic, social and environmental well-being of the citizens of Birmingham and neighbouring authorities. It will also improve the effective use of public resources and help to promote the city and the region.

Delivering our priorities

For 2010-11 the Council's most immediate priorities are:

- A clean and safe city
- Helping people into work
- Improving education and skills (employability)
- Protecting vulnerable people (children and adults).

The subsequent year, 2011-12, marks the end of the current Comprehensive Spending Review period and is likely to see a significant reduction in resources for public services. It also coincides with both the three-year review of the Sustainable Community Strategy and the negotiation of the next Local Area Agreement. Therefore we anticipate the 2011+ Council Plan to be a fundamental and radical review of priorities, funding, and delivery approaches.

The outcomes

The following sections explain how we will continue to deliver the Council and its partners' five long-term strategic outcomes:

- **Succeed economically** (in particular improving skills and education, and helping people who are unemployed)
- **Stay safe in a clean, green city** (in particular protecting vulnerable people and improving cleanliness of local areas)
- **Be healthy** (in particular improving the health of the least healthy communities)
- **Enjoy a high quality of life** (in particular modernising social housing)
- **Make a contribution** (in particular increasing the scope of community and voluntary activity).

For each outcome we have first listed achievements from the past year. In the tables that follow, we list sub-outcomes, with related challenges and priority actions. This shows what we aim to accomplish over the next three years.

Outcome 1: Succeed economically

Succeed economically is about benefiting from education, training, jobs and investment

Achievements in the last year

More support and opportunities for job seekers and businesses

- Formal adoption of the 15 year Longbridge Area Action Plan which may create up to 10,000 new jobs
- £10.5 million Business Loan Fund delivered in partnership with Investbx, offering loans of £50k-£1 million to larger companies
- 250 construction jobs set aside for unemployed people from priority neighbourhoods through the construction of the new Library of Birmingham in February 2010
- 7 neighbourhood and 9 constituency employment and skills plans have been approved. These address worklessness and direct the investment of the Working Neighbourhoods Fund to proven cost-effective interventions in the areas of greatest need
- Showcased the business opportunities and benefits of digital technologies and social media for economic growth to over 350 Small and Medium Enterprises and entrepreneurs
- Secured the Birmingham Business Support Package, made up of some £31 million of projects and programmes. This aims to stimulate enterprise and business activity within the city (amongst large businesses, SMEs, start-up businesses, entrepreneurs, individuals, inward investors and retailers)
- Developed the 'finditinbirmingham' website, with a rolling programme of marketing activities, to improve awareness, access and take up of public sector procurement opportunities
- Launched the Enterprise City High Growth Programme, providing in-depth one-to-one coaching, mentoring, peer group learning and networking.

More opportunities for young people not in education, employment or training

- 276 trainee places (two year housing traineeship programme) for young people who are not in education, employment or training, focussing on priority neighbourhoods and estates
- Numbers of young people aged 16-18 not in education, employment and training remain relatively low despite the economic recession
- Ofsted has acknowledged the effectiveness of our work in this area

Learning successes

- The success rate for qualifications in Adult Education has improved by 10%

- The proportion of pupils gaining good GCSEs and A-levels increased again in 2009. 72% of pupils gained 5 or more A*– C grades at GCSE and 67% gained one or more A - B grades at A-level. Both are higher than the national average
- The Computers for Pupils project has given pupils access to 18,858 new computers for using online learning tools. This is nearly twice the government target

Birmingham chosen as a prime location

- Our cultural sector has seen a 12% increase in annual turnover in the past three years. Birmingham's current visitor spend is £4.6 billion
- Film Birmingham's work has involved over 22,000 people in filming activity and associated events in the city since April 2009. Two prime-time BBC television drama series have re-located to Birmingham from London
- The American Track and Field representatives have signed an official contract to site their Olympic training camp in Birmingham ahead of the 2012 games. The economic impact of this commitment is estimated at £9 million
- Birmingham was established as a place for creative industries through the regional launch of the Digital Britain report and the Hello Digital Business conference. These were organised by the Digital Birmingham partnership
- Birmingham rose seven places to reach 14th in Cushman & Wakefield's European Cities monitor. It has been recognised as offering the best value for money office space, ranked joint first with Leeds. It is in the top ten for availability of qualified staff and office space, ease of access to markets and for having a network of external transport links

A more sustainable city

- Reduced 103,000 tonnes of carbon emissions
- Secured the 110 electric cars demonstration project for Birmingham
- The city's Combined Heat and Power (CHP) schemes provided low cost and sustainable energy solutions to several of its major organisations. In the last year alone, CHP schemes have cut 12,000 tonnes of carbon in the city centre
- Signed up to the Eurocities Green Digital Charter. This recognises the key role of digital technologies in carbon reduction as part of the city's carbon management programme

Achieving Excellence – linking resources to priorities

- Our strategic housing inspection result was 2-stars, with excellent prospects for improvement. This is one of the highest gradings yet given by the Audit Commission. Our housing CPA score increased from 2 to 3 (out of 4)
- A Comprehensive Area Assessment green flag has been issued to Birmingham's City Housing Partnership by the Audit Commission. This recognises outstanding improvement in delivering better sustainable outcomes, demonstrating best practice from which other local authorities could learn

An economically successful Birmingham will mean:	Challenges	Priority Actions
1. Accelerating the economic recovery of the City	<ul style="list-style-type: none"> i) Connecting the unemployed to job opportunities, particularly those who have experienced long-term unemployment ii) Securing and retaining investment for the city in the face of a global recession iii) Supporting businesses and residents to lessen the effects of the credit crunch iv) Ensuring a cross-city, multi-agency approach to reducing child poverty 	<ul style="list-style-type: none"> i) Manage delivery of the 40 contracts for locally commissioned employment and skills interventions ii) Work with developers to ensure local unemployed people have access to job opportunities through major projects/developments iii) Implement a programme of activity through the Working Neighbourhoods Fund to tackle long term worklessness iv) Manage the £10.5 million Business Loan Fund to help local companies v) Implement the Retail Development Programme, supporting local centres and independent retailers vi) Develop a framework for addressing child poverty (ahead of the statutory requirement) explicitly concerning the contribution of all services and partners
2. Educational performance will continue to improve and more young people will be in education, employment and training	<ul style="list-style-type: none"> i) The impact of the economic climate on training and employment opportunities for young people ii) Ensuring the right skills are available to support business growth and diversification 	<ul style="list-style-type: none"> i) Sustain improvement in educational achievement and reducing worklessness through <ul style="list-style-type: none"> ➤ the Local Authority's new responsibilities for 14-19 provision ➤ the Transforming Education programme ➤ focused School Improvement Programmes in line with national expectations and requirements ii) Raise skill levels and improve job chances of the most vulnerable and disadvantaged iii) Implementation of the Future Jobs Fund to provide jobs, placements or training for 18-24 year olds iv) Work with the Learning and Skills Council to direct regional co-financing funds to skills development for young people not in education, employment or training
3. Adult educational performance and skills will continue to improve	<ul style="list-style-type: none"> i) Increasing adult basic skills during a period of recession ii) Levels of higher adult skills (levels 3 and 4, and graduates) are below 	<ul style="list-style-type: none"> i) Build on our position as a 'national pathfinder' in English for Speakers of Other Languages (ESOL) ii) Work with regional partners to set a binding strategy for skills funding through the Multi Area Agreement

An economically successful Birmingham will mean:	Challenges	Priority Actions
	national averages	iii) Work with local universities to increase graduate retention in Birmingham and capitalise on the available research capacity
4. The city's carbon footprint will be reduced and we will become a low carbon economy, safeguarding our environment for future generations	<ul style="list-style-type: none"> i) Tackling climate change ii) Creating sustainable developments through green and digital technologies 	<ul style="list-style-type: none"> i) Implement the actions contained in the Climate Change Action Plan ii) Establish planning policies through mechanisms such as the Core Strategy to support the delivery of sustainable development iii) Continued development of the Combined Heat and Power (CHP) scheme iv) Continue to promote the use of electric vehicles in Birmingham v) Develop and implement plans to deliver the pledges contained in the Birmingham Declaration on Climate Change vi) Support environmental developments and urban living through green and digital technologies and contribute to energy efficiency
5. Innovation and business enterprise are stimulated and supported	<ul style="list-style-type: none"> i) Creating opportunities to attract new high-value, knowledge-based activity ii) Ensuring the right skills are available to support business growth and diversification iii) The limited digital infrastructure for supporting business innovation and growth iv) 40% of SMEs still not online 	<ul style="list-style-type: none"> i) Work with partners to deliver enterprise and innovation support to businesses ii) Continue to support the regional Birmingham Science City initiative that uses science and technology to support economic prosperity throughout the region iii) Help Birmingham businesses to undertake profitable change through business innovation iv) Work with businesses and partners to maximise the opportunities of public sector procurement and spending in Birmingham v) Working in partnership, develop the economic benefits of digital technology to help the city succeed economically
6. People choose to live and work in Birmingham and skilled workers are retained to support a strong and sustainable economy	<ul style="list-style-type: none"> i) Fostering innovation to help diversify the economy ii) Attracting investment which creates skilled employment opportunities iii) Attracting and retaining skilled people 	<ul style="list-style-type: none"> i) Implement the Core Strategy. Continue working with Advantage West Midlands, the Homes and Communities Agency and other partners to deliver sustainable population and economic growth. (Please also see sub-outcomes 1, 2, 3, 5, 7 & 8) ii) Further develop and improve internationally recognised facilities - such as the NEC, NIA and ICC. This is to enhance their standing, attract inward investment and strengthen transport links within the City and

An economically successful Birmingham will mean:	Challenges	Priority Actions
		the wider region
7. Pedestrian, road, rail and air access to and within the city will improve and congestion will be managed	i) Tackling congestion, and developing and promoting sustainable travel including walking ii) Ensuring the city remains globally relevant with appropriate connectivity	i) Continue projects that produce significant change in the city centre and local centres and neighbourhoods. These include associated transport improvements ii) Implement actions contained in Steps to the Future, the city council's walking strategy. These include: <ul style="list-style-type: none"> • More pedestrianisation within the city centre • Giving pedestrians greater priority within residential areas iii) Progress major transportation projects
8. Investment for the city is secured and retained	i) Securing and retaining investment for the city in the face of increasing international competition	i) Support the relocation of high profile, high skill employers to the city ii) Raise the profile of inward investment activity in Birmingham iii) Increase the number of participants at the Hello Digital Festival iv) Increase the number of filming requests through Film Birmingham

Outcome 2: Stay safe in a clean, green city

Staying safe in a clean, green city is about living in safe and clean neighbourhoods.

Achievements in the last year

Continuous decline in crime levels

- Serious violence reduced by 9% since May 2009. All 'violence against the person' fell by 6% in the last 12 months
- Gun crime has continued to decline (9% reduction)
- Serious acquisitive crime (burglary, vehicle crime and robbery) has reduced by 15% in the last 12 months

More people feeling safer

- More people feel that crime has reduced and more people feel safer in the daytime (69%, up from 64% last year)
- 67% of bus users feel that Police and Community Support Officer patrols are making a difference
- Trading standards introduced 'no cold-calling zones' in three areas with high levels of distraction burglary. In these zones the levels of distraction burglary fell. 92% of residents said that they felt safer because of the zones and 99% support their continued use
- Birmingham is regarded as the safest of the eight core cities, with the lowest total recorded crime figures for 2008/09

Improvements for young people

- There is evidence of improvement in safeguarding children and young people
- The number of young offenders re-offending has reduced in the last year by 27% compared to 2005. This is a greater reduction than in other core cities
- The number of under-18s becoming victims has reduced by 2.6% this year (53 fewer victims)
- 98.6% of young offenders have been housed in suitable accommodation, exceeding the 2008/09 target of 95%
- School exclusions have been reduced by 32.5%

Safer roads

- The number of people killed or seriously injured (KSI) as a result of road traffic collisions has continued to reduce. 250 KSIs were recorded up to the end of August 2009, compared to 299 for the same period in 2008

A cleaner Birmingham

- We put 14.3% of our municipal waste into landfill, making us one of the UK's best performing authorities in this measure
- Over 97% of sites surveyed for litter were found to be satisfactory
- We have worked with our partners to tackle graffiti across the city on four fronts – prevention, enforcement, intelligence and removal. This has had excellent results. In Selly Oak, for example, the percentage of unsatisfactory (graffiti-defaced) sites fell from 24% to 3% and in Hodge Hill from 36% to 8%

Protecting vulnerable adults

- We successfully established the Birmingham Safeguarding Adults Board and implemented the safeguarding action plan following inspection

A cleaner, greener and safer Birmingham will mean:	Challenges	Priority Actions
1. Vulnerable people are safeguarded effectively. This includes children, young people, older people, people with mental health problems or a learning disability and victims of domestic violence	i) Safeguarding vulnerable children, young people and vulnerable adults in Birmingham	i) Implement a multi-agency approach with all partners and providers. This will ensure vulnerable children, young people and adults in Birmingham are safeguarded and empowered as citizens ii) Strengthen prevention and family support services iii) Test preventative and early intervention approaches iv) Improve children's social care and corporate parenting
2. Fewer children and young people will be victims of crime and more will choose not to engage in criminal and anti-social behaviour	i) Reducing the number of young people within the Youth Justice System being given a custodial sentence ii) Eradicating gang violence iii) Countering violent extremism of all forms within communities	i) Work with partners to develop our approach and contribution to tackling youth crime ii) Understand better and address anti-social behaviour in the city iii) Work directly with Local Delivery Groups to improve engagement with stakeholders and partners iv) Extend the network of agencies providing support services to those deemed at risk of engaging with gangs
3. Birmingham will feel a safer place with less fear of becoming a victim, especially after dark	i) Tackling key concerns such as robbery and serious violent crime ii) Communicating our performance effectively to the public. iii) Adverse impact of the night time economy and alcohol on public perceptions of the city and of violent crime iv) Improving perceptions of the way public services deal with crime and anti social behaviour	i) Work with partners to improve feelings of safety; tackle the issues that matter to the community in their neighbourhoods; improve road and transport safety ii) Tell people how we are making the city safer

A cleaner, greener and safer Birmingham will mean:	Challenges	Priority Actions
4. Violent crime will continue to fall and there will be fewer victims of crime. Fear of crime will be reduced	i) Tackling key areas of concern such as robbery and serious violent crime, and the impact of the night time economy and alcohol ii) Monitoring the impact of the recession on increases in acquisitive crime, anti-social behaviour and prostitution; also on increases in domestic violence arising from home drinking	i) Work with partners to tackle anti-social behaviour and neighbourhood nuisance, and reduce gang related crime ii) Improve our tension-monitoring systems in order to anticipate, prevent and respond to disorder
5. Facilities and activities for children and young people will continue to improve	i) Young people benefiting from high quality and accessible facilities which offer a wide range of services and activities	i) Build on and extend Birmingham's 'youth offer' to other ages to support informed choices for 13-19 year olds (or up to 25 years for people with learning difficulties). This includes: <ul style="list-style-type: none"> ➤ recreational, cultural, sporting and learning opportunities ➤ safe and enjoyable places in which to spend time ➤ information, advice and guidance about any aspect of their lives ➤ opportunities to make a positive contribution through volunteering in their neighbourhood and in the city
6. Concern about hate crime will remain low or decrease further	i) Reducing crime in hot spot areas	i) Implement tension-monitoring through Constituency Local Delivery Groups ii) Implement the Hate Crime Reduction Strategy and a national pathfinder geared to promoting cohesion and tackling extremism
7. Litter, rubbish and graffiti will be reduced and residents will enjoy a better environment	i) Maintaining high standards of cleanliness and preserving our green open spaces ii) Keeping all parts of the city free of litter and graffiti	i) Deliver the anti-graffiti strategy and action plan ii) Manage cost efficient street cleansing services to agreed service levels
8. Satisfaction with, and cost-effectiveness of, recycling and waste management services will improve. The	i) Encouraging all residents to reduce waste, re-use or recycle instead of throwing away ii) Resident satisfaction is below average	i) Increase doorstep recycling provision to 99% of all Birmingham households ii) Manage household waste collection services to agreed service levels

A cleaner, greener and safer Birmingham will mean:	Challenges	Priority Actions
amount of domestic waste recycled will be increased, landfill reduced and service for residents further improved	<p>in national indicators</p> <p>iii) Low resident satisfaction with waste collection services relative to other Metropolitan Borough Councils</p>	

Outcome 3: Be healthy

'Be Healthy' is about enjoying long and healthy lives.

Achievements

Living independently

- The city's first retirement village in New Oscott is nearing completion. Work has also started on two new extra-care housing developments in Turves Green, Northfield and The Meadway, Yardley
- Assisted over 1,100 people and reduced average waiting times for major adaptations by 24% (56 weeks)

Keeping fit & healthy

- The "Be Active" scheme has had ½ million attendances since its launch in April 2009, in the Heart of Birmingham (teaching PCT) area
- Around 65,000 people have registered for the scheme. The "Gym for Free" scheme in Constituencies covered by the Heart of Birmingham (teaching PCT) won the LGC Best Public Health Award. Following the city-wide launch in September 2009, an additional 16,000 new customers have signed up
- The World and Birmingham EDF Half Marathon took place in October 2009, with new championship records being set for both the men's and women's races. Entries increased from the previous year, from 9,000 to 12,300
- Around 14,000 people have participated in The Walks programme. Twenty nine 2-kilometre and 4-kilometre walking groups take place each week. There are also seven additional 5-kilometre routes
- Obesity levels have fallen amongst 4 to 5 year olds
- The number of teenage conceptions in the city is falling faster than the regional rate
- Use of allotment plots has increased, encouraging more local produce and healthy eating
- Birmingham City Council Golf Roots and England Golf Partnership Project 2009 linked schools to their local golf course and promoted a summer holiday programme in parks. The Golf Roots and England Golf Partnership encouraged a greater participation amongst disabled pupils, women and pupils from the BME groups

A healthy Birmingham will mean:	Challenges	Priority Actions
1. Health inequalities across the city will be reduced. The gap in life expectancy between the least healthy wards and the city average will narrow	<ul style="list-style-type: none"> i) Reducing Health inequalities across the city ii) 10 year difference in healthy life expectancies across the city 	<ul style="list-style-type: none"> i) Develop and implement a shared prevention framework and principles with the NHS ii) Develop and implement a Health Inequalities Strategy for the City Council iii) Develop council wide interventions to promote health and well being iv) Develop a health planning statement to inform and support the Core Strategy v) Ensure the Health Inequalities Champions in Directorates continue to deliver their aspects of the Council's plan for health inequalities vi) Develop and roll out a model for health interventions at neighbourhood level vii) Continue to develop the infrastructure and delivery of the Joint Strategic Needs Assessment and its assurance processes
2. More people choosing healthy lifestyles. This includes reduced levels of smoking, improved control of tobacco, lower levels of obesity and higher levels of healthy eating	<ul style="list-style-type: none"> i) Reducing circulatory diseases, particularly coronary heart disease ii) Reducing the burden of ill-health and death due to smoking iii) Increasing life expectancy and promoting healthy lifestyles iv) Changing behaviours and attitudes that discourage healthy living 	<ul style="list-style-type: none"> i) Develop a healthy workforce strategy ii) Work as part of the Birmingham Health and Well-Being Partnership to ensure those most at risk are channelled into prevention initiatives to improve healthy living iii) Deliver the Be Healthy programme in partnership with NHS Primary Care Trusts iv) Work with the Health and Well-Being Partnership to further reduce coronary heart disease, levels of obesity and smoking v) Promote healthy lifestyles across all council services and through locally targeted programmes in constituencies and schools vi) Lead the formation of a tobacco control alliance for the City
3. Improved mental, physical and emotional well being	<ul style="list-style-type: none"> i) Growing health inequalities between some communities and in some areas of the city ii) Inequalities in access to, use of and representation in mental health 	<ul style="list-style-type: none"> i) Develop the quality and range of services for vulnerable adults and older people ii) Bring together the resources of the City Council and partners to improve services for people with learning disabilities and mental health issues (and at better value)

	systems	
4. More people maintain independent living in a home of their own	<ul style="list-style-type: none"> i) Increasingly older population ii) Growing older population needs a wider range of quality housing options, including the option of support in their own homes iii) Ensuring that people do not stay in hospital longer than necessary 	<ul style="list-style-type: none"> i) Develop extra-care housing for older people ii) Help people to live independently through a range of schemes to provide aids and adaptations to homes iii) Help people to live independently through the handy person scheme commissioned through the Supporting People programme iv) Develop the quality and range of services for vulnerable adults and older people v) Harness the existing resources of all partners to prevent admissions to hospital and reduce delays in transfers of care
5. Reduced levels of infant mortality	<ul style="list-style-type: none"> i) Reducing rates of infant mortality, especially among some black and minority ethnic groups, teenage mothers and 'new-arrival communities' 	<ul style="list-style-type: none"> i) Continue partnership working with the Primary Care Trusts (PCTs) via the Health and Well-Being Partnership to deliver the Action Plan for infant mortality
6. Reduced levels of teenage conception	<ul style="list-style-type: none"> i) Reducing teenage conception rates in "hotspot" areas 	<ul style="list-style-type: none"> i) Continue partnership working with the Primary Care Trusts (PCTs) via the Health and Well-Being Partnership to better understand and reduce levels of teenage conception in Birmingham
7. More people taking up sport or active recreation	<ul style="list-style-type: none"> i) The need to improve the condition of our leisure and sports facilities ii) Resident satisfaction with some leisure and sports services is lower than other metropolitan councils 	<ul style="list-style-type: none"> i) Improve our leisure and sports facilities and services ii) Increase satisfaction and participation in our leisure and sports services

Outcome 4: Enjoy a high quality of life

'Enjoy a high quality of life' is about benefiting from good housing and renowned cultural and leisure opportunities.

Achievements

More new and affordable homes

- Investment (£100 million in Public Finance Initiative credits) to transform the Lyndhurst estate and surrounding areas
- £17.8 million for Urban Living to continue creating successful housing markets in parts of Sandwell and North West Birmingham. This has been supplemented by a further £1.7 million which will help accelerate activities in the areas of greatest need. The Government has also confirmed an additional £11 million to the end of March 2011
- £15 million to deliver the major renewal and remodelling of Kings Norton Three Estates as part of the Big Change plan
- £20 million Government Kickstart funding to restart stalled housing developments to provide 540 new homes
- Adoption of the 15 year Longbridge Area Action Plan, which is intended to result in 1,400 new homes
- Funding and land for our council home building programme through the Birmingham Municipal Housing Trust (£6.7 million from the Homes and Communities Agency (HCA), £6.26 million of council funding and contribution of our own land for free)
- 3,280 new dwellings completed in 2008-09, 975 being new affordable homes, a considerable excess over the target of 600. 824 dwellings were demolished during the year
- £1.3 million investment to the Larger Homes programme for increasing the supply of larger affordable homes

Better housing and accommodation

- Worked with partners to introduce the Sanctuary scheme to help victims of domestic violence remain in their own homes
- Reduced the length of time a single person under the age of 25 remains in temporary accommodation (from 50 days to 7 days in the last eight months)
- On target for all council homes to meet the Decent Homes standard by 2010. At the end of 2008-09, 90% of the Council's homes met the standard
- We have also started a new investment programme to replace kitchens and bathrooms in the city
- On target for all Registered Social Landlords (RSL) homes to meet the Decent Homes standard by 2010. At the end of 2008-09, 97% of RSL homes met the standard
- Four modern Care Centres, and additional extra-care accommodation for older people, have been opened across the city

Keeping warm

- Worked in partnership with national programmes to assist over 9,500 households with affordable warmth measures
- A combined heat and power scheme has been implemented, providing cheaper and more efficient energy to 224 households
- Completed 100% gas servicing across all of the Council's homes for the second year running

Attractive parks and open spaces

- Seven of Birmingham's Parks have been awarded the coveted Green Flag award
- Birmingham's parks and nurseries team have won a number of awards which include:
 - a gold medal for the City Centre Floral Trail at the National Britain In Bloom awards
 - a gold in the Urban Community category at the Heart of England in Bloom awards
 - a silver gilt medal in the Urban Gardens category at Chelsea
 - a silver gilt medal at Gardeners World
- Aston Park has been refurbished, including a brand new state-of-the-art sports pavilion to serve the new all-weather pitch and the new cricket facilities

Amazing cultural services

- We have launched the Family Friendly Kite Mark, and 300 arts awards have been achieved
- Birmingham Opera Company achieved the Royal Philharmonic Society award in 2008 for audience development
- We have provided 2,000 free events in the city centre and 37,000 arts events overall
- Arts organisations provided over 10,000 workshops in the city
- The Hello Digital Arts Festival attracted almost 400 people
- The Birmingham Museum and Art Gallery had a total of 64,775 people visitors, 40,000 of whom went to see the Staffordshire Hoard exhibition between 25 September to 13 October 2009
- Aston Hall and Park reopened to the public in July 2009 with over 29,000 visitors in the following 3 months
- Birmingham arts organisations' turnover has grown to £67m
- Birmingham proudly hosted the greatest number of events in the country over the past year - for example, with over 220,000 people attending ArtsFest
- 3 million people enjoyed Birmingham's Christmas programme – the largest such programme in the country
- Communities continue to come together each year to celebrate St Patrick's Day, Vaisakhi, the Birmingham Carnival and Eid

Achieving Excellence – linking resources to priorities

- We have started to undertake joint commissioning and intelligence sharing with strategic partners

- Birmingham Museums and Art Gallery, Library and Archive Service and the Sport and Leisure Service were recognised with the Customer Service Excellence Award

A high quality of life for people in Birmingham will mean that:	Challenges	Priority Actions
1. The city's social housing is modernised to meet people's aspirations for decent homes	<ul style="list-style-type: none"> i) All social housing has to meet the Decent Homes standard by the end of December 2010 ii) Financial resources being under pressure from land sales, right to buy sales and capital review of all projects iii) The emerging standards of a new regulator, the Tenant Services Authority (TSA) iv) Major inspection of the Council's landlord service in March 2010, the largest test of a local authority housing provider since 2005 	<ul style="list-style-type: none"> i) Ensure all social housing meets the Decent Homes Standard within timescales ii) Secure reforms to the existing housing financial rules to allow local authorities to retain all land and right to buy capital receipts iii) Review all potential disposals to develop specific marketing strategies for sites iv) To review our 2/3 year capital receipt projections v) To ensure that the projections reflect the current economic climate and adjust our planned expenditure accordingly vi) Provide new kitchens and bathrooms in council homes vii) Improve the environment and safety on council estates viii) Ensure council tenants receive an excellent service
2. More older people will remain active and involved in the community	<ul style="list-style-type: none"> i) Understanding the future needs of older citizens to offer a better range of services 	<ul style="list-style-type: none"> i) Bring together the resources of the City Council and all its partners to improve the range of support available to older citizens
3. There are more new and affordable homes in Birmingham	<ul style="list-style-type: none"> i) Downturn in the housing market, reduced levels of house building and house sales, and falling house prices ii) Increase in Regional Spatial Strategy targets for new affordable housing from 50,600 to 57,000 by 2026; this at a time when housing completions are at their lowest levels iii) High level of people in Birmingham excluded from work. The West Midlands has by far the highest unemployment rate in the UK, up 4.2 points in a year 	<ul style="list-style-type: none"> i) Develop new council housing and properties for sale through our Birmingham Municipal Housing Trust ii) Develop the public land initiative for new housing with the Homes and Communities Agency iii) Create innovative models with private sector partners and pension funds to develop new affordable housing for sale and renting iv) Increase the number of new and affordable homes in Birmingham v) Address housing needs and worklessness through a range of measures vi) Implement the Core Strategy; continue working with Advantage West Midlands, the Homes and Communities Agency and other partners to deliver sustainable population and economic growth

<p>4. More people will be satisfied with their neighbourhood as a better place to live</p>	<p>i) Impact of recession on satisfaction with area and on community cohesion ii) Collaborative working across a broad range of partner agencies and service delivery points</p>	<p>i) Implement Priority Neighbourhood programme ii) Consolidate the Neighbourhood Management model for localities iii) Support transformational change in important regions of the city iv) Continue with projects that produce significant change in the city centre and local centres and neighbourhoods</p>
<p>5. Household overcrowding in council homes is reduced</p>	<p>i) Shortage of large family houses (4 bedrooms plus) in the city ii) Level of empty properties</p>	<p>i) Increase the supply of large family homes through the Larger Homes Programme ii) Build larger family homes through council direct build iii) Bring empty properties back into use</p>
<p>6. More people are able to heat their homes</p>	<p>i) Increase in fuel prices ii) Increasingly older population iii) Potential reduction in funding from regional housing allocations iv) Increasing residents' take up of benefits to which they are entitled</p>	<p>i) Maximise take up of Warm Front grants ii) Maximise take up of affordable warmth area-based grants via Community Energy Savings programmes iii) Continue to maximise benefits take up through Neighbourhood Offices</p>
<p>7. The number of households living in temporary accommodation is reduced</p>	<p>i) Downturn in the economic climate leading to increase in households presenting as homeless ii) Increase in households presenting as homeless requiring large family houses (4 bed plus)</p>	<p>i) Increase people's access to social housing tenancies through Birmingham Home Choice ii) Prevent homelessness through a range of targeted measures iii) Remodel the housing options and advice service to (a) prevent homelessness and (b) move people more quickly out of temporary accommodation and into wider social or private housing sectors iv) Implement the Large Homes Programme and Wisemove scheme</p>
<p>8. All people entitled to Adult Social Care will have personal budgets enabling them to choose the services they need</p>	<p>i) Underdeveloped market place not currently in a position to provide a better range of services ii) Outdated care services are in need of modernisation and/or decommissioning</p>	<p>i) Improve individual choice and control by increasing the number of people receiving a personal budget ii) Develop and modernise the range of services and support options available iii) Understand the future needs of our citizens</p>

<p>9. Better support will be given to people providing informal care to relatives and dependants</p>	<p>i) Addressing the needs of the huge numbers of unpaid carers in the city. There are thought to be almost 100,000 'hidden carers' (10 per cent of our population)</p>	<p>i) Develop services and support for carers and ensure that they can be accessed by the most vulnerable carers</p>
<p>10. Raise Birmingham's profile and attract more people through renowned facilities, activities and events across the leisure and culture sectors</p>	<p>i) Increasing the take up of the cultural offer (including a range of internationally significant venues and companies, smaller companies, individual artists and designer makers, and amateur arts activities)</p>	<p>i) Strengthen Birmingham's cultural offer ii) Work with our cultural partners to deliver the Cultural Strategy and secure the City of Culture 2013 iii) Roll out a cultural entitlement for 0-19s across the Council's and its partners' services</p>
<p>11. More Birmingham people enjoy culture</p>	<p>i) The need to improve the condition of some of our cultural facilities ii) Resident satisfaction with some cultural facilities is lower than in most other metropolitan councils</p>	<p>i) Improve our cultural facilities and services ii) Increase satisfaction and participation with leisure and culture services</p>
<p>12. Local centres will be clean and attractive, and ready to thrive as the economy recovers</p>	<p>i) Impact of the recession on local centre success</p>	<p>i) Implement Connecting with Communities Programme ii) Implement the Retail Development Programme, supporting local centres and independent retailers iii) Enhance town centre management iv) Completion of local centre public realm enhancement works</p>

Outcome 5: Make a contribution

'Make a contribution' is about valuing one another and playing an active part in the community.

Achievements

Greater contribution from young people

- Engagement mechanisms such as youth forums, school councils and the Children and Young People's Parliament led to positive developments and activities for young people
- Attracted funding for the Government's MyPlace initiative to build new and modern young people's centres in areas of need across the city
- A large number of young people were involved in the Overview and Scrutiny Review of Education on Relationships and Sexual Health. This included a young person chairing the review

More opportunities for volunteers

- 3,245 volunteers worked with the professional arts sector and 2,000 volunteer days were spent on planned site maintenance in parks

Engaging with people from different backgrounds

- Established community networks, leading to wider representative engagement with BME communities
- Roll out of a major community dialogue programme in Handsworth and Lozells
- A substantial increase to 85% in the number of people who feel they can influence local decisions according to the 2008 Annual Opinion Survey (up by 7% from last year)
- Supporting the Birmingham LiNk, giving people and organisations a forum for raising their views on health and social care in the city
- The launch of the award winning Welcome to Birmingham website, a multi-language guide to public services for newcomers

Improving the way we consult, involve and feed back

- Launched the online Birmingham Be Heard Consultation Database and Annual Statement of Consultation. These enable the public and partners to find out about hundreds of past or planned consultations in the city, their outcomes and actions taken
- Published the new statutory Duty to Inform, Consult and Involve, which gives robust guidance on how we must involve people
- Delivered a wide range of activities during Local Democracy Week. This included a Local Hearts awards ceremony acknowledging the work of some of the city's many volunteers
- Published Be Involved which informs staff and public about opportunities for getting involved and influencing decision-making

Achieving excellence – linking resources to priorities

- Successful second year of a reinvigorated Local Democracy Week – one of the largest in the region
- Creation of a new Third Sector Team in the Chief Executive's Directorate to further develop our approach with the voluntary and community sector

Birmingham people valuing one another and playing an active part in the community will mean:	Challenges	Priority Actions
1. The community and voluntary sector will increase the scope of their activities	<ul style="list-style-type: none"> i) Removing barriers so that the voluntary and community sector can be more effectively involved in delivering services ii) Developing and delivering services jointly with local people iii) Meeting the requirements of the local indicator about ensuring support for a thriving third sector 	<ul style="list-style-type: none"> i) Improve the council's work with the third sector, including assessing the value of the third sector's contribution ii) Develop opportunities for local people to work with the council in jointly delivering services and give them more control to manage council buildings iii) Re-commission Third Sector Advice Programme
2. People feel that they get on well with people from different backgrounds in their local area	<ul style="list-style-type: none"> i) Providing appropriate forums to enable Birmingham residents to actively influence and engage with the City Council 	<ul style="list-style-type: none"> i) Host a series of Community Cohesion Forum workshops with a focus on integrating new communities ii) Engaging the established Community Networks in order to support the development of the Council's priority equality outcomes
3. Council service users feel satisfied that the City Council has treated them with dignity and respect	<ul style="list-style-type: none"> i) Understanding and meeting the aspirations of our diverse communities 	<ul style="list-style-type: none"> i) Develop our customer knowledge to improve our understanding of communities and map socio-economic inequality at a local level ii) Use customer intelligence to inform and influence how we deliver efficient and equitable services
4. More people will feel they belong to their neighbourhood	<ul style="list-style-type: none"> i) Encouraging greater community cohesion and tackling the causes of community dissatisfaction 	<ul style="list-style-type: none"> i) Build in community engagement as a key priority in 31 Neighbourhood Plans
5. More people will engage in community activities and civic participation in their local area	<ul style="list-style-type: none"> i) Providing new and effective ways of engaging with hard-to-reach and disengaged groups ii) Enabling and encouraging less active groups such as some older people, young and disabled people to take part in community activities 	<ul style="list-style-type: none"> i) Roll out the Street Champions scheme across the city bringing in 1,000 extra volunteers ii) Open an access and resource facility which will enable all people with physical disabilities to use the city centre and still meet their own personal care needs iii) Promote volunteering and seek to maximise the opportunities for young people to engage in volunteer activity

Birmingham people valuing one another and playing an active part in the community will mean:	Challenges	Priority Actions
6. More people will feel they can influence decisions in their locality	<ul style="list-style-type: none"> i) Providing ways and opportunities for citizens to influence local decision-making ii) Motivating young people to engage and providing appropriate opportunities to be engaged iii) 11 neighbourhoods have significantly lower percentages of people believing they can influence decisions in their locality iv) Although there have been improvements in the numbers of people believing they can influence local decisions, people are less satisfied with opportunities to get involved than in previous years v) Consultation fatigue vi) Digital exclusion acts as a barrier to engagement and participation. With more and more online services, the digital divide is deepening and creating greater exclusion 	<ul style="list-style-type: none"> i) Review, simplify and improve methods for engaging citizens and communities ii) Create new opportunities including virtual engagement iii) Develop a plan to focus involvement activities across the 11 neighbourhoods identified iv) Develop the role of the Children and Young People's Parliament v) Roll out of the Be Heard consultation database to reach the voluntary and community sectors and people not often reached. Aim for 18,000 people registered on the database to receive email alerts vi) Provide a range of training for staff, community activists and Councillors on consultation standards, methods and evaluation techniques vii) Work towards digital participation by supporting partnerships, programmes and projects viii) Develop wider online access initiatives for citizens and digital inclusion opportunities

Glossary

Action Plan

A specific series of steps taken to accomplish a particular goal. Generally includes steps, milestones, measures of progress, responsibilities, assignments, specified resources and a time line.

Annual Statement of Consultation

This draws together the views the public have given as part of consultation exercises. It highlights the key messages and concerns under each Strategic Outcome. It then identifies what has happened as a result and what still needs to be done to respond to these concerns.

Area Investment Prospectus

Captures the key strategic development and investment opportunities around the city. Also outlines Birmingham's plans to improve the economic environment and infrastructure necessary for supporting the growth generated by these opportunities.

Audit Commission

An independent organisation responsible for ensuring that public money is spent economically, efficiently and effectively to achieve high-quality local services for the public.

Be Birmingham

The local strategic partnership that brings together partners from the business, community, voluntary, faith and public sectors to deliver a better quality of life in Birmingham. See Local Strategic Partnership on page 55.

Link: <http://www.bebirmingham.org.uk/>

BEST (Belief, Excellence, Success, Trust)

The set of values that Birmingham City Council and its employees aspire to when providing council services.

Big City Plan

A 20-year vision for the future of Birmingham City Centre.

Birmingham Be Heard Consultation Database

A web-based resource which brings together views, comments and opinions collected through public consultation undertaken by Be Birmingham partners.

Link: <https://www.birminghambeheard.org.uk>

Birmingham Children and Young People's Parliament

A forum open to all young people in Birmingham aged 10 – 19 years. The Birmingham Youth Parliament is made up of young people who are elected to represent the views of Birmingham's young people.

Birmingham Health and Wellbeing Partnership

A group made up of the three Birmingham primary care trusts (South Birmingham, Birmingham East and North, and Heart of Birmingham), Birmingham City Council and other partners from the voluntary and community sector. Its purpose is to reduce health inequalities and enable people to experience the best quality of life.

Birmingham Sports Partnership

A partnership bringing together key sectors involved in sport and physical activity in Birmingham. The partnership aims to deliver a strategy for getting more people more active more often, and more people starting, staying and succeeding in sport.

Birmingham Way

A set of behaviours that is important to the Council achieving its aim of excellence. It shows staff clearly the behaviours we recognise and value as we jointly move the organisation forward.

BME groups

Black and Minority Ethnic voluntary and community organisations and groups.

Brighter Futures

Our strategic approach to changing the way we think about planning and commissioning services for children and young people. Brighter Futures focuses on outcomes to be achieved. It is based on reliable evidence-based data about needs, relates to all children and those in need, and embraces system-wide change.

Business Transformation

A set of programmes making fundamental changes to the way the Council works. It will help us deliver better services to citizens first time every time. It is not simply looking at how we do things, but reviewing what we actually do.

Carbon Footprint

A measure of overall contribution of carbon dioxide and other greenhouse gases to the atmosphere. It can relate to individuals, families, communities, companies, industries, products or services. It takes into account energy use, transportation methods, consumption of products and services and procurement.

Climate Change

Changes in weather patterns, rising sea levels and increased frequency and intensity of extreme weather. It is commonly attributed directly or indirectly to human activity.

Community organisers and activists

People working at the local level to create positive social change. They help communities come together to solve problems.

Community cohesion

What happens within communities to enable different groups of people to get on well together. A key contributor to community cohesion is integration, enabling new and existing residents to adjust to one another.

Community engagement

Informing, consulting, involving, listening and responding to communities. It builds relationships of trust between agencies and communities, and allows communities to influence services and neighbourhood improvements.

Community Support Officer patrols

Police Authority support staff, used on high-visibility foot patrol, providing a strong anti-crime presence and reassuring the communities they serve.

Comprehensive Area Assessment (CAA)

A new way of assessing local public services in England. It examines how well councils are working with other public bodies to meet the needs of the people they serve.

Constituencies

Birmingham is divided into 10 constituencies. Each has four wards with three councillors who sit on the constituency committee. Constituency committees enable local residents to influence the shape and quality of the services they receive, and participate fully in running their local community.

Core Cities

The core cities group is a network of England's eight major regional cities - Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. They work in partnership with each other and with the Government to enable each city to improve economic performance and to be regarded positively as places to live, work, visit and do business.

Core Strategy

A framework for new development and land-use change in Birmingham up to 2026. The Core Strategy is expected to be adopted by 2011 and will be central to delivering the Growth Agenda. It is a statutory plan and will be subject to extensive public consultation and involvement, including an independent examination.

Connecting with Communities programme

A plan to reinvigorate and connect with those communities that are most acutely feeling the pressure from recession. It will ensure they are well placed to share fully in future prosperity and emerge stronger and more cohesive.

Corporate Management Team (CMT)

The senior (officer) management team of the council. It consists of lead senior officers including the Chief Executive Officer and all Strategic Directors and all Corporate Directors.

Cushman & Wakefield's European Cities Monitor (a privately held commercial real estate services firm)

Conducting surveys on Europe's major business cities. The European Cities Monitor studied a number of key issues that cities need to address, the business performance of each European city and where improvements have been seen to be made over the last year.

Customer knowledge

A way of working that helps us understand customers' needs and preferences. Data and customer information from throughout the Council is analysed to provide an in-depth knowledge of our customers. This can then be used to help us make decisions about the way we plan and provide services.

Decent Homes Standard

A legal minimum standard for social housing. 95% of all social housing will need to meet this standard by 2010.

Economic climate

The current and anticipated economic situation of the country.

Equality and diversity

The way an organisation complies with anti-discrimination legislation as well as emphasising the positive benefits of diversity. This includes drawing on a wider pool of talent, positively motivating all employees and meeting the needs of a wider customer base.

Family Friendly Kitemark

An awarded designation of quality relating to activities for children, young people and their families.

Film Birmingham

The film office for Birmingham. Run by Birmingham City Council it aims to attract filming to the city. It provides a one-stop shop for filming requests, including a locations service.

Golden Thread

A performance framework that links each staff member's objectives to outcomes and priorities within the Council Plan.

Green Flag awards

The national standard for parks and green spaces in England and Wales, awarded to organisations for their high-quality green space.

Green Flag – Corporate Area Assessment (CAA)

Green flags represent exceptional performance or outstanding improvement resulting in proven delivery of better outcomes for local people. Performance or improvement must be sustainable and an example to others.

Hate Crime

When a perpetrator targets a victim because of their association to a certain social group (usually defined by racial group, religion, sexual orientation, disability, class, ethnicity, nationality, age, gender, gender identity, or political affiliation).

Hate Crime Reduction Strategy

A framework of partnership working to reduce hate crime in Birmingham.

Independent Living

A programme of support helping people to overcome problems in daily living and live independently at home. It includes information and advice as well as practical solutions such as aids and adaptations in the home.

Local Area Agreement

A three-year delivery framework for helping to deliver Birmingham 2026, the Sustainable Community Strategy. It is a set of targets agreed with local partners and with central government. It allows local flexibility and freedom to use new ideas and schemes to achieve the city's vision.

Local Government Commission (LGC)

A membership organisation committed to making communities more equitable and social, prosperous, and resource-efficient. It assists local government in developing policies and programmes.

Local Services

Services like libraries and neighbourhood offices, run from a constituency level.

Local Strategic Partnership

A group of public, private, voluntary and community sector organisations that are working together to achieve the long-term vision for the city. See Be Birmingham on page 50.

Longbridge Area Action Plan

The framework and proposals for the regeneration of the former MG Rover plant site at Longbridge.

Metropolitan councils

Single-tier authorities with responsibility for the delivery of all services in their area.

Partnership working

Working with different organisations towards a given cause.

Priority Neighbourhood programme

A programme to improve service delivery and overall quality of life for residents of Birmingham's most deprived areas. 31 geographic neighbourhoods have been identified for the delivery of intensive neighbourhood management support.

Procurement

Planning, obtaining and purchasing the best services, supplies and construction work to meet the needs of citizens and service users.

Regional Spatial Strategy

Along with Local Development Frameworks, part of a two-tier system to determine how the regional planning system will help to shape communities. It sets out the broad spatial planning strategy of how a region should look in 15-20 years' time.

Recession Taskforce

Oversees a review of services to seek new and imaginative ways of providing help and support to those under pressure.

Registered Social Landlord (RSL) homes

Government-funded, not-for-profit organisations that provide affordable housing. They include housing associations, trusts and cooperatives. They work with local authorities to provide homes for people meeting the affordable homes criteria.

Safer Birmingham Partnership

Ensures the delivery of a range of community safety activities aimed at making Birmingham safer. It is a joint partnership between West Midlands Police, Birmingham City Council, West Midlands Fire Service and many different agencies that work together to tackle difficult problems that affect communities.

Serious Acquisitive Crime

Theft and robbery including street crime, business and retail crime and vehicle crime. This can be theft from the person or from vehicles, theft of vehicles and cycles, vehicle interference and domestic burglary.

Strategic Outcomes

The city's priorities, aims and objectives to improve the quality of life for people in Birmingham.

Strategy

A framework showing priorities and desired outcomes. It is different from a plan, which sets out the practical steps needed to put a strategy into practice.

Street Champions

Engaging with and supporting volunteers to take responsibility for cleanliness and safety within their immediate locality.

Sustainable communities

Communities where people want to live and work now and in the future.

Sustainable Community Strategy – Birmingham 2026

The long-term partnership vision for the city.

Small, Medium Enterprises (SME)

Businesses that employ 250 employees or less.

Tenant Services Authority (TSA)

A new regulator for social housing, dedicated to raising the standard of housing services.

Third sector

Includes charities, voluntary, community and faith organisations and social enterprises.

Total Place

A new initiative that looks at how a 'whole area' approach to public services can lead to better services at less cost.

Value for Money (VFM)

A process for assessing whether an organisation provides goods and services that are effective, efficient and economic.

Wards

Each ward is represented by three councillors who are elected by local people to represent the area they live in. In Birmingham there are 40 wards.

Warm Front grants

A government scheme that helps owners-occupiers and private tenants make improvements to the heating and insulation of their home.

Worklessness

The Department for Work and Pensions defines a workless household as 'a household where no adults are in paid employment'. Worklessness refers to 'the unemployed (people of working age who are not in formal employment but who are looking for a job) and the economically inactive (people of working age who are neither formally employed nor looking for formal employment)'.

Working Neighbourhood Fund

Part of the Government's drive to tackle worklessness and low levels of skills and enterprise, focusing on areas of high deprivation.



Birmingham

Financial Plan 2010+

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CHAPTER 1 – EXECUTIVE SUMMARY

1. Structure of the Report

- 1.1 This Financial Plan 2010+ sets out the financial implications arising from the Council's on-going provision of services for the people of Birmingham, set in the context of the priorities and plans included in the Council Plan 2010+ (Part A of the Business Plan 2010+).
- 1.2 The Financial Plan has four principal components, covering:
- Revenue expenditure on day-to-day services (Part I: Chapters 2 – 5)
 - Capital expenditure on assets and other investments (Part II: Chapters 6 – 8)
 - Treasury management – arrangements for the management of the Council's debt and investment portfolios (Part III: Chapter 9)
 - Financial risks – an assessment of the more significant areas of risk, and management actions in place to mitigate them (Part IV: Chapter 10).
- 1.3 The Council's financial plans are set in a medium- to long-term context. Therefore, this section of the Business Plan does much more than set out the budget for 2010/11, although that is an important element of it. This report sets out a long-term financial strategy for the management and development of its services, and a specific plan over a period of up to 10 years. This is constantly updated as new information becomes available and the impact of decisions can be assessed. By focusing on the long-term, the Council is able to ensure that sustainable plans are put in place, and the full on-going consequences of these taken into account, rather than just concentrating on short-term and, potentially, sub-optimal solutions.
- 1.4 The Council's ability to spend money on services and assets is heavily constrained by the availability of resources, particularly from Government. This is particularly the case in the current economic climate; the need for the Government to control the level of public expenditure and borrowing is likely to lead to a very challenging financial environment within which local authorities must plan their services.
- 1.5 For this reason both Part I (Revenue) and Part II (Capital) of the Financial Plan begin with a summary of the resource availability (Chapters 2 and 6). In each case, the financial strategy is then set out (Chapters 3 and 7) before the specific budget proposals, which flow from these strategies, are described in Chapters 4/5 and 8.

- 1.6 The borrowing requirement of the Council is determined by the capital programme and the resources available. The Treasury Management Strategy in Chapter 9 describes the approach to the delivery of those elements of that programme which will be financed by borrowing, together with arrangements for the temporary investment of cash balances which may, from time to time, be held by the Council.
- 1.7 Although the Council takes a prudent approach in the planning of its finances, this must, inevitably, be amidst some uncertainty. Chapter 10 sets out the key issues, how they will be managed, and also summarises a number of reserves/balances and contingences which could be made available if circumstances dictate this.
- 1.8 Each element of this Financial Plan is supported by detailed information, which is set out in the Appendices at the end of the document.

2. Executive Summary

Revenue

- 2.1 The 2010/11 budget is the first year of the Long-Term Financial Plan, and is the only year for which Government grant resources have been announced. A net revenue budget of £1,013.3m is proposed (gross expenditure £3,562.0m), including the allocation of additional resources of £67.5m to meet budget pressures and fund priority services. This has been made possible by efficiency savings of £69.0m. The overall budget requires an increase in Council Tax of 1.9%, once again below the rate of inflation, and representing an increase of 40p per week for a Band D property.
- 2.2 The financial outlook beyond 2010/11 is extremely challenging, largely as a result of the expected reduction in Government grants in the light of the pressure on the public finances. The details of a range of scenarios are set out in the Long-Term Financial Plan. However, the Council has already started to plan ahead and is putting in place actions to develop the way forward. This will include a relentless pursuit of improved value for money, and a review of the way in which services will be provided.

Capital

- 2.3 The City Council's three year capital programme totals £1,424.7m, which is slightly larger than the programme approved in last year's budget, mainly due to the addition of the New Street Station 'Gateway' project. Like the revenue budget, the capital programme is, however, being increasingly affected by the economic and financial outlook. In this environment the City Council will exercise caution when considering spending plans for the future which use prudential borrowing.

Treasury Management

- 2.4 The Treasury Management Policy at Appendix M sets out the policy and framework for this Treasury Management Strategy. The economic and financial market outlook is currently particularly uncertain, which means that there are high risks to the level of future interest rates. However the City Council has a relatively small borrowing requirement for the next two or three years, due to a combination of borrowing in advance, increased debt repayment provision, and few debt maturities. Further long-term borrowing may take place to take advantage of currently low rates, and to fund specific initiatives.

Risk Management

- 2.5 Inevitably, the Financial Plan has been developed amidst some uncertainties and risks; this is always the case. However, actions are being put in place to manage these risks, as part of the Council's overall risk management arrangements. In addition, a number of contingencies have been set aside, and the Council does have reserves and balances that it could fall back on if needs be.

3. Consultation

- 3.1 There was an extensive consultation programme in the development of the Sustainable Community Strategy, which informed the Council Plan priorities; this is the policy context for the allocation of financial resources. In addition, the Birmingham Annual Opinion Survey enables the Council to take account of the views of thousands of Birmingham residents on Council services. In October 2009, the Birmingham BeHeard Consultation Database – an online consultation portal – was introduced, and this is used to provide regular feedback and to inform the issues to be addressed in service and financial plans.
- 3.2 A formal meeting to consult business ratepayers took place on 10 February 2010, for which papers were circulated in advance of the meeting. Feedback and questions were invited by 12 February 2010.
- 3.3 The Council continues to engage with representatives of the Third Sector through Third Sector commissioning fora and in the revision of the City Council's Third Sector Commissioning Strategy.
- 3.4 Consultation with staff and union representatives concerning budget issues takes place primarily in the context of the on-going consultation arrangements within directorates, and as part of the development of specific proposals. In addition, budgetary matters were included in the consultation with corporate trade union representatives which took place on 9 December 2009, with a further meeting scheduled for 19 February 2010.

CHAPTER 2 – GOVERNMENT RESOURCES

1. Summary

- 1.1 The financial year 2010/11 is the final year of a three-year Government Grant settlement. The City Council will receive general Government Formula Grant of £678.017m in 2010/11 - an increase of 2.7% on a like-for-like basis, which is slightly above the national average of 2.6% but lower than the increases of 4.6% in 2008/09 and 3.3% in 2009/10.
- 1.2 In addition to these figures, the resources for schools and some central education services are provided for through the Dedicated Schools Grant (DSG). In 2010/11 the Council will receive £4,789.74 per pupil. The internally calculated provisional level of DSG will be £792.963m, subject to final pupil numbers.
- 1.3 The City Council also receives a significant amount of resources through Area Based Grant (ABG). This is a general Government grant that can be spent on the areas the City Council identifies as priorities. In 2010/11 ABG will be £152.469m.
- 1.4 There remains uncertainty about the Young People's Learning Agency grant; this has been estimated for the time being. The cost to the City Council of free Personal Care at Home is also not yet clear.
- 1.5 There has been a significant withdrawal of resources since 2003/04 from existing council housing services through the current HRA subsidy system and this presents a major issue of concern. A housing subsidy deficit of £61m in 2010/11 needs to be accommodated in balancing the budget.

2. Government Formula Grant Settlement

- 2.1 2010/11 will mark the final year of the first three year settlement.
- 2.2 The City Council's Formula Grant for 2010/11 will be £678.017m. The figures are presented in Table 2.1 below.

Table 2.1 – Summary of Formula Grant Settlement	
	2010/11 £m
Previous year	660.074
Adjustments	(0.137)
Re-stated base for previous year	659.937
Increase	38.826
Formula calculation	698.763
Less Damping	(20.746)
Formula Grant	678.017
Percentage increase	2.7%

Note: The Government has adjusted the base Formula Grant position to reflect a transfer of responsibility from the City Council in respect of student finance. The relevant Portfolio budget has been adjusted to reflect this technical change.

- 2.3 The Government guarantees a minimum level of formula grant increase for all local authorities. After their formula grant has been calculated some local authorities would receive below this minimum increase. Therefore the Government tops up the level of grant for these authorities so that they receive that minimum. Those authorities that receive increases above the minimum level must fund the top up by having their calculated grant scaled back (damped). The minimum increase for authorities like Birmingham, that have responsibility for Education and Social Services, in 2010/11 is 1.5%.
- 2.4 It will be noted that the City Council's entitlement to Formula Grant continues to be damped by the Government. Formula grant is calculated by the Government by establishing the level of need that each local authority has within its area and hence the level of resources that are required to address this need. By topping up the grant for authorities below the minimum increase level, those authorities are receiving more formula grant than required and, as a result, are able to hold back the level of council tax. Conversely, local authorities that have to contribute to the top up have resources taken away from them that the Government has calculated are required to meet the needs of the local people.
- 2.5 Whilst some degree of transitional funding is appropriate, the Council has never received its full entitlement through this process and will have contributed £135.2m to authorities with lower levels of need over the period 2005/06 – 2010/11. In 2010/11 the Council will contribute £20.7m, which is equivalent to £69.45 in council tax for each Band D equivalent property.

3. Dedicated Schools Grant (DSG)

- 3.1 The Government guarantees that DSG will provide a set level of funding per pupil. In 2010/11 this will be £4,789.74 per pupil, an increase of 4.0% over 2009/10. The final DSG allocation will be based on a January census of pupil numbers, which will be finalised by June 2010. Whilst the Department for

Children, Schools and Families has announced an estimate of the 2010/11 level of DSG funding for Birmingham schools, the Council has calculated its own internal estimate of DSG based on a more up-to-date estimate of pupil numbers.

- 3.2 The internally calculated provisional gross DSG allocation for all Birmingham schools is £807.775m for 2010/11. The gross calculation includes funding that will be provided directly to Academy schools within Birmingham. The amount payable to the City Council has been estimated at £792.963m.
- 3.3 Schools are funded from DSG and post 16 grant received for the education of pupils aged between 16 and 19 years. Individual schools' budget shares are calculated through the Birmingham Fair Funding Formula. The remaining DSG is used to fund specific services, defined in regulations, that may be managed centrally and that support children's education. The Schools Forum must be consulted annually on the allocation of DSG.

4. Young People's Learning Agency

- 4.1 From 1 April 2010 the Council will become responsible for commissioning and funding all education and training for 16-19 year olds. It is estimated that the Council will receive a grant from the Young People's Learning Agency of £145.2m in 2010/11 to fund the costs of providing this service, of which £46.5m relates to services in schools.

5. Area Based Grant (ABG)

- 5.1 2010/11 will be the third year of the ABG system, whereby a large number of specific grants, which were previously received as individual amounts, have been consolidated into ABG. New funding streams were also added to the grant, most significantly the Working Neighbourhoods Fund (WNF) and Supporting People, and this continues to be the route through which government places new funding. The grant is not ringfenced and is, therefore, part of the mainstream resources of the council.
- 5.2 The allocation of the ABG is planned and co-ordinated with partner the organisations through Be Birmingham, and as part of the Local Area Agreement. The Be Birmingham Executive has approved planning totals for thematic partnerships. The total ABG receipts for the final year of the three year allocation are summarised in Table 2.2.

Table 2.2 – Area Based Grant	
	2010/11 £m
Working Neighbourhoods Fund	41.1
Supporting People	51.9
Other	59.5
Total Area-Based Grant	152.5

- 5.3 The ABG provisional allocations for 2010/11 are detailed at Appendix A. The Council and its partners are committed to delivering the Sustainable Community Strategy, which has an agreed set of priorities for the City. ABG is only part of the total partnership-wide funding available to deliver this strategy, and the spending of it contributes to the achievement of key priorities.
- 5.4 A detailed report will be provided for the Cabinet to approve ABG allocations in 2010/11 prior to the start of the financial year, following consultation with partners.

6. Free Personal Care at Home

- 6.1 The Government has announced that Personal Care at Home will be available free of charge from October 2010. Details of the costs to the City Council and of the level of Government grant support are not yet known, but an action plan will be developed when further information becomes available.

7. Housing Revenue Account

- 7.1 The financial framework for the Housing Revenue Account (HRA) is set out in the Local Government and Housing Act 1989. This established a ring-fenced account for expenditure/income relating to the management of the Council's housing stock, a subsidy system and a requirement to prepare a balanced annual budget.
- 7.2 There has been a significant withdrawal of resources since 2003/04 from existing council housing services through the current HRA subsidy system and this presents a major issue of concern. The housing subsidy deficit, i.e. the contribution that tenants make to national resources, will be more in the next financial year (at £64m in 2010/11 compared to £57m in 2009/10). This is in addition to the Council paying back 75% of the Right to Buy capital receipts.

8. Medium-Term Resources

Formula Grant

- 8.1 The last twelve months have proved to be very turbulent in terms of the public finances and forecast resource availability from 2011/12 onwards. As a result, the current medium-term financial plan contains significant challenges from 2011/12 onwards. An increase in Government support of 2.7% was calculated prior to the impact of the economic downturn on the public finances becoming clear, whereas now we are forecasting an annual reduction in resources over the medium term of up to 5%.
- 8.2 As a result of this turbulence in forecasting resources from the Government, a number of scenarios have been developed that demonstrate the level of formula grant the Council estimates it will receive between 2011/12 and 2013/14. The scenarios are based on:

- internal forecasts of formula grant prior to the economic downturn;
- a 0% change in formula grant;

- a joint analysis of the Pre-Budget Report 2009 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE)
- analysis of the Pre-Budget Report 2009 carried out by the Institute for Fiscal Studies (IFS)

It should be noted that the postponement of the 2009 CSR has reduced the information available to assist this modelling.

A summary of the impact of each scenario is shown in Table 2.3 and the detailed results and assumptions used in developing the scenarios are shown in Appendix B.

Scenario	(1) Original £m	(2) 0% Change £m	(3) CIPFA/SOLACE Change £m	(4) IFS Change £m
2011/12	693.7	-15.7	-41.7	-50.8
2012/13	712.7	-34.7	-81.0	-98.8
2013/14	732.2	-54.2	-119.2	-145.4

Dedicated Schools Grant

- 8.3 Announcements have been made that guarantee front-line schools spending will continue to receive real terms increases over the next two years. Therefore, the Council is planning on the basis that its DSG allocations will remain at least static, and possibly increase in real terms over the next two years. The current economic climate makes any more detailed analysis of future levels of DSG unreliable.

Young People’s Learning Agency

- 8.4 It is assumed in the LTFFP that the Council will receive funding to fully cover the cost of the service.

Area Based Grant

- 8.5 There is currently a great deal of uncertainty surrounding ABG and the levels of grant that will be available from 2011/12 onwards. The current assumption in the LTFS and LTFFP is that services funded by ABG will manage within their grant allocations at whatever level this may be and will develop exit strategies as appropriate.

Housing Revenue Account

- 8.6 A national review of the existing Council Housing Finance Framework is in progress and the consultation was completed in October 2009. The Minister is expected to make an offer to local authorities in Spring 2010 based on a Self Financing System. This would include the abolition of the current subsidy system, the potential re-distribution of debt between authorities, retention of all “Right to Buy” receipts by local authorities, continuation of the HRA ring fence and greater flexibility in setting rent levels in consultation with tenants. It is too

early to estimate the likely impact of this consultation. Plans will be developed when the outcome is known.

9. Long-Term Resources

Formula Grant

- 9.1 Clearly there will be significant changes to the economy, public finances and hence resources available to the Council over the next ten years. However, the indicative resource forecasts below offer a suggestion of the scale of funding that will be made available to the Council. For the time being, the assumptions behind the scenarios considered in forecasting the level of resources that will be available to the Council in the medium-term have been extended into the longer-term. The Council's original estimate of resources forecast an annual increase of 2.7%. Current scenarios now estimate that resources could continue to reduce by up to 3% annually until 2016/17 and then grow in line with inflation. A summary of the impact of each scenario is shown in Table 2.4 and the results of this analysis and the assumptions used in developing the scenarios are shown in Appendix B.

Scenario	(1) Original £m	(2) 0% Change £m	(3) CIPFA/SOLACE Change £m	(4) IFS Change £m
2014/15	752.2	-74.2	-154.1	-156.7
2015/16	772.8	-94.8	-191.7	-176.1
2016/17	793.9	-115.9	-230.7	-197.1
2017/18	815.6	-137.6	-239.2	-205.4
2018/19	837.9	-159.9	-247.2	-213.4
2019/20	860.7	-182.7	-258.8	-224.6

Dedicated Schools Grant

- 9.2 There are no indications that front-line schools funding will be protected for more than two years. Therefore, there are no clear signs of what the implications for schools funding and DSG are over the long-term. The current assumption in the LTFS and LTFP is that services funded by DSG will manage within their grant allocations at whatever level this may be.

Young People's Learning Agency

- 9.3 It is assumed in the LTFP that relevant expenditure will be contained within the funding that the Council will receive.

Area Based Grant

- 9.4 There is even less certainty surrounding ABG and the levels of grant that will be received over the long-term. Therefore, there are currently no forecasts of the level of ABG over the long-term. The current assumption in the LTFS and LTFP is that services funded by ABG will manage within their grant allocations at whatever level this may be and will develop exit strategies as appropriate.

Housing Revenue Account

- 9.5 The HRA business plan is being updated to take into account the planned implementation of a new council housing finance framework from 2012/13, the development of a municipal housing trust, the PFI proposal and the long-term impact of the economic recession. This review will be completed during 2010/11 and will set out the longer-term resources for the provision of council housing.

CHAPTER 3 – LONG-TERM FINANCIAL STRATEGY AND PLAN

1. Introduction

- 1.1 In combination, the Council Plan, Long-Term Financial Strategy (LTFS) and annual budget provide a clear path as to how the City Council plans to deliver the outcomes that Birmingham's citizens require and demand. The strategy allows strategic planning to be carried out in a more effective way by considering resource availability, efficiency savings and service priorities that help the Council to achieve its goals.
- 1.2 In order to complement the LTFS, a Long-Term Financial Plan (LTFP) has been developed that identifies the known pressures that the Council will face in future years and the forecast level of resources that the Council will have to meet these pressures. The LTFP takes our analysis of the impact of the economic situation and combines this with the strategy developed to show the financial impact of the Council's plans and how these will be financed.
- 1.3 A significant change in economic circumstances has occurred in the past twelve months. The result of this is that the LTFP is not yet fully resourced in future years (up to £57.9m in 2011/12, potentially rising to £115.3m by 2019/20). This is a consequence of significant anticipated reductions in the level of resources that will be received from the Government. As a result plans are being developed so that services can be provided in line with priorities and additional efficiency gains can be developed. The challenges facing the 2011/12 budget will be addressed during the 2010/11 financial year. In addressing these, significant steps will have been taken towards meeting the remaining issues within the LTFP. These will be of an achievable scale to be met on an annual basis after 2010/11.

2. Contextual Background

- 2.1 There are a number of factors that will have a strong influence on the level of resources that the Council will have available to direct funding towards its priorities. These combine to produce a challenging outlook for the public sector finances generally and the Council's finances specifically.

Financial Uncertainty

- 2.2 The 2007 Comprehensive Spending Review announced fixed three-year allocations of formula grant for local authorities for the period 2008/09 to 2010/11. 2010/11 is the final year of the fixed settlement and as a result there is no financial certainty of the level of formula grant that will be received from the Government after this. The LTFS and accompanying LTFP run from the period 2010/11 – 2019/20. Therefore all estimates of formula grant included within the LTFS after 2010/11 have a degree of uncertainty surrounding them, especially in the current economic climate.

- 2.3 The next spending review will take place after the next general election which is due to take place no later than June 2010. However, it is clear that whichever political party forms the next Government, significant reductions in public sector spending will be required. This will have a significant impact on the resources that are made available to the Council from the Government. Chapter 2 provides assumptions and scenarios of the level of resources the Council will receive from the Government over the medium and long-term.

Economic Downturn

- 2.4 Britain emerged from a sustained period of recession in the final quarter of 2009. It is expected that the economy will continue to recover in 2010/11 although this will be a fragile recovery initially. As Britain comes out of recession, inflation is expected to increase in the short-term, although the number of unemployed people is not expected to reduce, and may increase in the short term, and there is likely to be an increase in demand for council services.
- 2.5 The prospect of rising inflation levels will need to be kept under review. The increasing strain on the Council's resources at a time when the level of external funding is likely to reduce, places increasing importance on the use of the LTFS and LTFP in helping to prioritise resource allocations and plan for future resource pressures to help the Council achieve its "Birmingham 2026" vision.

Efficiencies and Value for Money

- 2.6 The Council recognises that resources are expected to reduce over the medium-term and the Council expect the service provision of priority front-line services to be maintained. In 2010/11 the Government expects the Council to achieve 4% cashable efficiency savings. However, the level of resources the Council will receive in 2010/11 from the Government is fixed as set out in Chapter 2. The resources generated from efficiencies in 2010/11 will be available to the Council to reinvest in front-line priorities. The Council, and the Government, will expect front-line services to be protected, so far as is possible, from 2011/12 onwards as well. Therefore the Council is looking for new ways to generate value for money (VFM) efficiency gains and recognises that the need to generate efficiencies will remain for the foreseeable future.

3. A Vision for Birmingham

- 3.1 **"It's 2026...Birmingham is the first sustainable global city in modern Britain. It is a great place to live, learn, work and visit: a global city with a local heart. Birmingham people are healthy and enjoy living together. Birmingham is a safe, clean and friendly city tackling climate change and enhancing the local environment. Birmingham people have high aspirations, skills and the opportunities they need to succeed. Birmingham is globally competitive, contributing fully to the thriving, prosperous and sustainable region."**

- 3.2 Birmingham City Council has signed up to this vision, set out in Part A of the Council Plan 2010+, with its community, private and public sector partners. The Council Plan 2010+ sets out what the Council needs to do in the next three years to help make this vision a reality in the next two decades. The Council has listened to what residents have said is important and will be working with partners to make the Council's long-term strategic objectives a reality:
- **Succeed Economically** – benefiting from education, training, jobs and investment;
 - **Stay Safe in a Clean, Green City** – living in safe and clean neighbourhoods;
 - **Be Healthy** – enjoy long and healthy lives;
 - **Enjoy a High Quality of Life** – benefiting from good housing and renowned cultural and leisure opportunities; and
 - **Make a Contribution** – valuing one another and play an active part in the community.
- 3.3 The Council Plan 2010+ sets out that for 2010/11 the Council's most immediate priorities are:
- A clean and safe city
 - Helping people into work
 - Improving education and skills (employability)
 - Protecting vulnerable people (children and adults)

4. Action Plan for 2011/12 and Beyond

- 4.1 Rapid changes in the economy and to the level of resources that are forecast to be available to the Council will require an assessment to be made of how the Council provides its services. The Leader, in his "State of the City" speech to Council in September 2009, laid down five principles for the Council's approach to service and financial planning:
- A systematic approach to the transformation of our business including considering different providers and how best to use technology;
 - Service design that looks to provide services that meet the needs of individuals rather than assume one size fits all;
 - Shift the emphasis of service interventions from dealing with symptoms to preventing causes. This not only delivers better outcomes for people but is more efficient;
 - Working collaboratively with other public sector agencies, the third sector, higher and further education and business to provide integrated solutions and to ensure total resources are aligned to our commonly agreed priorities; and
 - Helping people to reduce their dependency on the state by investing in programmes that create self-sufficiency and community capacity to help themselves.
- 4.2 The Council's future approach to meeting these principles could include working towards the development of a "Birmingham Budget". There is currently gross expenditure of £7.5bn across public sector agencies within Birmingham. Through the coordination of this combined expenditure and increasing

collaborative working, both internally and across partners, it is anticipated that Birmingham and its partners will be able to manage better within reduced resource levels. Through focusing on outcomes for Birmingham people the Council will move towards becoming a commissioning-led council, and providers will be tasked with the responsibility of developing innovation in the provision of services.

- 4.3 In order to develop these proposals a number of tactical approaches will be applied:
- Market testing proposals – establish whether the Council’s internal provision of services is the most cost-effective method.
 - Analysis of the asset base – is the Council (and its public sector partners) making the best use of assets? (eg Leisure and Community Assets – whether some services will be better provided through Leisure Trusts)
 - Administrative Overheads – can the administrative overheads of the Council be reduced significantly?
 - Productivity and unit cost of labour – analysing the Council’s unit costs and determining where these can be reduced.
 - Systematic “best value” – the Council must continuously assess the level of VFM that it provides and strive to increase this.
 - Self sufficiency/self service – developing services to enable and encourage self sufficiency/self service.
 - Generating Income – exploring all opportunities for generating and maximising income.

5. Long-Term Financial Strategy

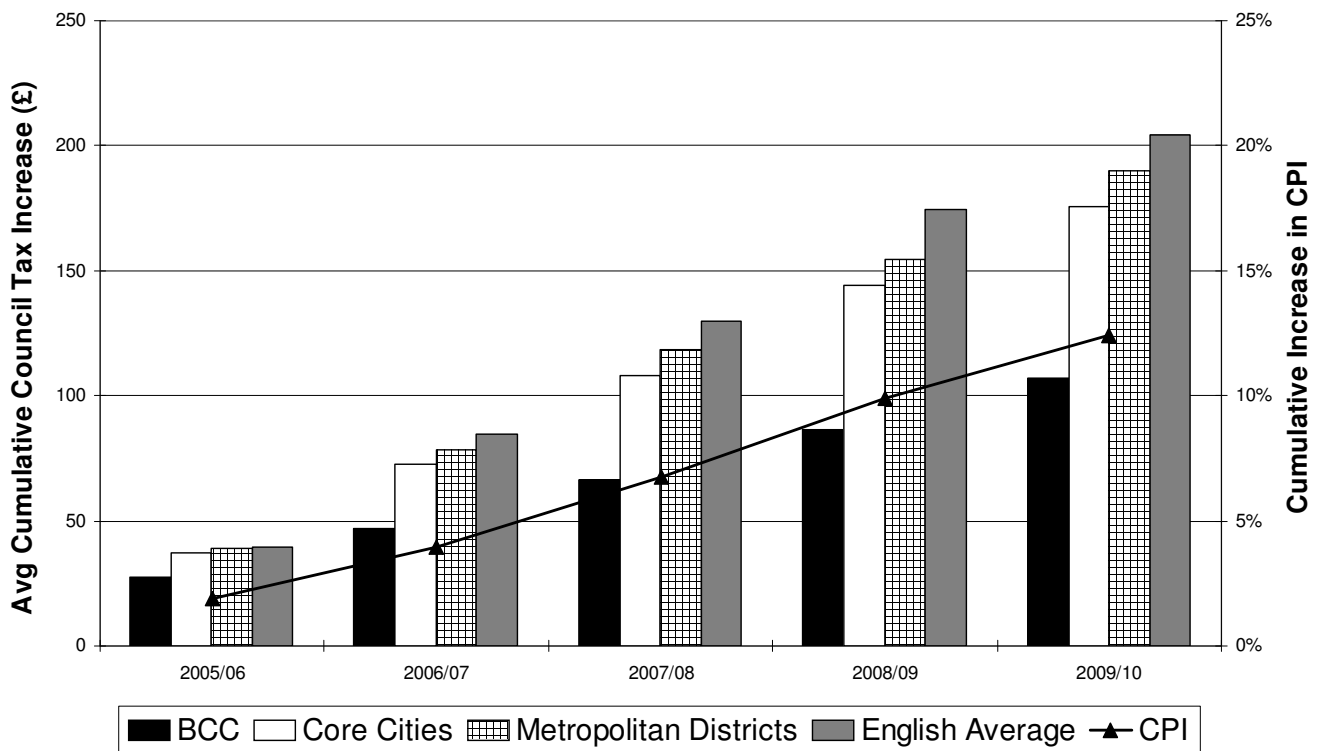
- 5.1 The Council has considered these priorities in developing its LTFS. The Council’s LTFS considers three aspects of resources and spending:
- Revenue;
 - Capital; and
 - Treasury Management.
- 5.2 This section summarises the Council’s financial strategy, covering:
- Low Council Tax levels
 - Efficiency savings
 - Service Reviews and restructuring
 - Partnership working
 - Reserves and balances
- The strategy set out in the HRA business plan is also summarised.
- 5.3 Chapters 7 and 9 will cover the Capital and Treasury Management Strategies respectively.
- 5.4 The current financial climate has had significant impact on the LTFP. Large reductions in the forecast levels of Formula Grant from the Government are now being assumed where the Council had previously been planning on increases. As a result, the LTFP is not yet in balance from 2011/12 onwards and further

concerted action will be required in order to address this, in accordance with the approach described in this LTFS.

6. Low Council Tax Levels

6.1 The City Council is committed to ensure that council tax levels, and increases, are maintained at low levels. This is of critical importance at times of recession when large sections of Birmingham’s residents are faced with economic hardship. The City Council has a track record of increasing Council Tax at lower rates than the average of all of its comparator groups of local authorities and the English average. The graph below illustrates the significant difference between the actual increase in Birmingham’s Council Tax and what it would have been had it grown in line with the average for the Core Cities, Metropolitan Authorities and for the country as a whole. This shows that, over the period from 2005/06 to 2009/10, a Band D Council Taxpayer’s saving has grown to over £98 per annum compared with the national average. It also shows that the Council’s element of the Council Tax in Birmingham has increased at a rate below inflation. This has resulted in a 1.5% real-terms reduction over the past five years in the level of the Council’s element of council tax that Birmingham residents pay.

Council Tax Increases Compared with Other Authority Classes and CPI Inflation



6.2 An increase in the rate of Council Tax of 1.9% per annum is assumed within the LTFFP. However, this increase is not enough on its own to maintain a balanced budget once the likelihood of reducing Government formula grant as a consequence of the tightening of the public finances is also taken into account. Consequently, in order for the Council to maintain its strategy of low Council Tax increases it must also progressively reduce its level of expenditure in real terms.

7. Efficiency Savings

- 7.1 Like most other local authorities, the City Council is facing a wide range of pressures and challenges to improve the way in which it functions, including changes to implement new central government policies, managing the increasing proportion of both younger and older residents in the City, and addressing the ever-increasing expectations for services to improve whilst, at the same time, reducing costs. Quite simply, we have to do better for less.
- 7.2 The City Council has a successful record of achieving efficiencies exceeding both its Gershon and 2007 Comprehensive Spending Review (CSR07) efficiency requirements to date. Therefore the Council will approach the task of generating future efficiencies with a significant amount of successful experience, but with many of the easier savings already delivered.
- 7.3 The City Council itself is committed to a "journey towards excellence", and has an ambition to be "second to none". Through its Council Plan it is looking to develop the organisation so that it not only delivers high-quality cost-effective services, but also puts the customer first, ensuring that Birmingham people are served wherever needed and that their problems are solved as close to the front-line as is possible.
- 7.4 In order to bring about this significant change, three workstreams have been put in place:
- Business Transformation – changing what we do and how we do it (see Chapter 4 – Revenue Budget 2010/11 and Appendix C);
 - VFM Evaluations
 - Service Reviews and Restructuring

Business Transformation

- 7.5 The Council began a major transformation process in 2006. Business Transformation ensures that the Council's services are redesigned to improve and personalise them whilst generating significant levels of efficiency savings.
- 7.6 Business Transformation involves fundamentally redesigning our services either by changing the basic business model ("doing different things") or by making major changes to the way which services are delivered ("doing things differently"). Nine Programme Boards have been created to take this work forward: four service-specific (Adults & Communities; Children, Young People and Families; Housing and Environment) and five cross-cutting (Efficiency, including Corporate Services; People Management; Working for the Future; Customer First and Information Management).
- 7.7 The Organisational Development Programme, exemplified by the corporate values of Belief, Excellence, Success, Trust (BEST), runs in parallel with the Business Transformation programme, responding to the cultural and staffing needs.

Value for Money Evaluations

- 7.8 A team of finance and policy officers has been set up to further develop our VFM practices within the council and driving a new programme of VFM work. Internal VFM analysis of services has been carried out through a performance versus cost comparison. This analysis will be carried out on an annual basis to monitor changes in the level of VFM provided by services.
- 7.9 Corporate cross-cutting reviews and Directorate led reviews will be carried out across the Council. Services will be prioritised relative to the cost and performance data of comparator authorities, with those services recognised as high cost and/or low performing being reviewed initially.

Service Reviews and Restructuring

- 7.10 When defining "What Type of Council" Birmingham will become, our approach is to have:
- A lean administrative machine.
 - A focus on service redesign and commissioning.
 - Increased flexibility in service provision.
- 7.11 The savings proposals described later in this chapter in respect of the Council's short, medium and long term plan involve significant service redesign.
- 7.12 All service redesigns will be undertaken in line with the Leader's five principles (see para 4.1) namely:
- Transformation
 - Prevention
 - Personalisation
 - Collaboration
 - Self sufficiency/reduced dependency
- 7.13 The Council is putting in place the tools and policies, through programmes such as Excellence in People Management (EPM), to deliver this extent of organisational change.

8. Partnership Working

- 8.1 The national and local agenda are focusing on partnership working as a method of enhancing the efficiency, effectiveness and economy of services provided to local people. Partnership working looks to join up service provision between local public sector organisations and further with third sector and private sector organisations. Birmingham's local strategic partner, Be Birmingham, manages the use of Birmingham's ABG and takes a lead role in the Local Area Agreement (LAA). The Council has also taken part, as a pilot authority, in the Government's Total Place scheme that looks to map all public sector expenditure in an area and identify how this can be enhanced in a more efficient way in the future (see also para 4.2).

- 8.2 Following on from the Total Place pilot, which looks primarily at revenue resources, the Council has also been selected as one of six local authorities to pilot Total Capital. Total Capital intends to improve the alignment of major investments in terms of design, timescale and location so as to maximise the overall benefit in the local area. It is hoped that Total Capital will be able to maximise its impact by not only reviewing public investment, but also considering private investment over which the public sector has a degree of control through the planning system, such as major housing developments.
- 8.3 The Council will collaborate with our neighbouring local authorities, particularly in the financing of schemes with cross-authority effects, to assist us to benefit and promote the City and the region to the greater benefit of all concerned.

9. Reserves and Balances

- 9.1 The Council's strategy for general balances is to make planned contributions of £1.5m per annum.
- 9.2 The strategy is, therefore, to increase general balances to £22.9m by 31 March 2014 provided there is no need for emergency funding in the meantime.
- 9.3 Further analysis on the level of general balances that the authority holds is included in Chapter 10.

10. Housing Revenue Account

- 10.1 A HRA Business Plan framework was introduced in 2000/01 to complement the Housing Plan and was intended to improve the investment/asset management of council housing stock through long term financial planning.
- 10.2 The HRA Business Plan sets out the investment, income and expenditure cash flows over 30 years and was assessed as 'fit for purpose' by Government Office for West Midlands in October 2006.
- 10.3 The strategic objectives and planned investment of the HRA Business Plan to 2019/20 are aligned to the Council Plan 2010+ and include:
- Completion of the Decent Homes Programme (heating and windows)
 - Commencement of the Decent Homes Plus Programme (kitchens and bathrooms)
 - Provision of new affordable Council Housing through the Municipal Housing Trust
 - Continued direct management of the housing stock (as the preferred choice of tenants)
 - Delivery of 3 Star Excellent Housing Services through our Business Transformation Programme (Landlord Services Inspection is scheduled for March 2010)

- 10.4 The key long-term financial strategy and operational performance targets in the HRA Business Plan up to 2019/20 include:
- Ensuring financial discipline and management to the annual cash limits set out in the financial plans.
 - Maintaining financial stability by retaining balances in line with Audit Commission recommendations.
 - Maintaining adequate provisions for potential bad debts on rents and service charges.
 - Continuing to improve Value for Money and securing efficiencies through our Business Transformation Programme (cumulative excess of £100m to 2019/20).
 - Compliance with prudent financial ratios in particular the level of debt to the value of the housing stock (at less than 35%) and debt interest and repayment costs to rent income (at less than 30%)
 - An annual reduction in arrears of £0.5m (5%) per year and a reduction in the number of empty properties from 1.2% to 0.6% of the stock.
- 10.5 The HRA Business Plan is subject to a continuous internal review and is updated annually to ensure continued financial viability to deliver the strategic objectives for council housing services.

11. Short-Term Financial Plan – 2010/11

- 11.1 The revenue budget for 2010/11 is set in the context of the LTFS for the ten year period to 2019/20 and is the first year of the LTFP. Members have considered the pressures presented to them on a number of occasions, along with their financial impact in future years. The Council has been able to re-direct funding of £67.5m in order to address budget pressures and provide funding for priority services. In approving these allocations, the Council has maximised the level of additional resources that it can provide to ensure the continuation and improvement of services in line with the LTFS and the Council's priorities.
- 11.2 In approving this significant increase in spending allocations, the Council recognises the need to continue to provide services to the citizens of Birmingham at an affordable level, consistent with its council tax strategy set out in the LTFS. Accordingly, a number of savings initiatives, totalling £69.0m, will be implemented.
- 11.3 Further information on the 2010/11 revenue budget is contained in Chapter 4.

12. Medium-Term Financial Plan – 2011/12 – 2012/13

- 12.1 In considering the pressures that the Council faces in 2010/11, the impact of these pressures in future years has also been estimated, enabling the Council to forward plan its delivery of services. Current estimates are shown in Appendix F.
- 12.2 It is of equal importance to plan for the level of resources that the Council expects to receive over the medium-term. The Council has developed a range of

scenarios to forecast the level of Formula Grant that will be received from the Government. In recognising and preparing for each of these scenarios, the Council considers that it will be best prepared and ready for future circumstances.

- 12.3 As the Council is anticipating large reductions in Formula Grant funding, it is of even greater importance that the Council focuses on efficiency savings, including the delivery of its Business Transformation programmes. Key project milestones are set out in the Council Plan. Identifying how and where efficiency savings can be generated in advance, will maximise the opportunity for the release of additional resources with minimal impact on front-line services. The Council has also begun to identify areas where additional savings can be achieved to meet the future year implications of pressures already identified (shown in Appendix C as "savings proposals not yet finalised") but clearly the scenarios detailed earlier in this Financial Plan document could have a significant impact on the level of savings eventually required. The Council's current medium-term efficiency savings plan can be seen in Appendix G, but this will be updated in subsequent LTFP reviews.
- 12.4 The deliverability of Business Transformation benefits is kept under constant review as business cases are revised and programmes are delivered. The LTFS will be updated on a regular basis to reflect this.
- 12.5 All services are developing medium-term workforce plans that take account of known and planned service developments that impact on employees. These are being developed in conjunction with financial plans.
- 12.6 The current medium-term financial plan can be seen in Appendix B as part of the LTFP. The plan shows the position using each of the scenarios of formula grant allocations discussed in Chapter 2. The Council's initial medium-term financial planning had been prudent. However, the rapid economic changes and subsequent impacts on the public finances have left challenges for the Council over the medium-term. It is intended that a plan will be put in place during 2010/11 to address the medium-term position. As part of this, the LTFS will be refreshed in the Summer of 2010
- 12.7 The projections make the following principal assumptions:
- Council Tax rise of 1.9% in each year and the taxbase to continue to increase at the same rate as in 2009/10. This is only a planning assumption, and the actual level of increase for future years will need to be considered in due course.
 - Future inflationary pressures of general expenditure inflation of 1.8%, pay awards at an average of 1.0% and an expectation that income will be increased by 2.0%.
 - Continued allowance for the on-going effect of items included in the budget and for essential organisational developments.
 - Provision for the employer's increased pension costs following the last tri-annual actuarial revaluation. The impact of the next valuation is not yet

known and the impact, if any, will need to be reflected in the updated LTFP.

- Extra capital financing costs based on the capital budget, with any net revenue costs resulting from further borrowing within the “prudential framework” to be met from within portfolio/committee cash limits unless specifically approved otherwise.
- Other than the above, portfolio/committee budgets continuing at the same level as in 2010/11 unless they have indicated that their pressures will increase in future years.

12.8 Council Tax levels are currently assumed in the LTFP to increase by 1.9% annually, recognising the policy of low Council Tax increases. However, Table 3.1 shows the effect on available resources if an annual council tax increase of other than 1.9% is applied.

Table 3.1 – Change in Resources Available from Alternative Council Tax Increases		
Annual Council Tax Change	2011/12	2012/13
	£m	£m
0.0%	(6.321)	(12.852)
1.0%	(2.993)	(6.116)
1.9%	0.000	0.000
2.0%	0.332	0.683
3.0%	3.659	7.552
4.0%	6.987	14.489
5.0%	10.311	21.490

13. Long-Term Financial Plan – 2013/14 – 2019/20

- 13.1 Whilst long-term implications for expenditure and funding are less certain, by creating a plan that looks at the longer-term that is constantly updated to reflect new information, the Council will be in a stronger position to approach future challenges proactively rather than reactively.
- 13.2 Analysis of long-term demographic changes has been carried out, allowing indicative cost pressures to be identified between 2013/14 and 2019/20. These have been included in the LTFS to give indicative future expenditure figures, shown in Appendix C.
- 13.3 The Council is continuing to use the assumptions contained within the range of scenarios developed for the medium-term financial plan to forecast the level of Formula Grant that will be received from the Government over the longer-term.
- 13.4 Efficiency savings will continue to be required to help meet the cost of these additional pressures. Again the Business Transformation programme will play a key role in delivering savings. Appendix C shows the current savings plan in place for the long-term.

- 13.5 The current LTFP can be seen in Appendix C. The plan shows the long-term surplus/deficit position for each scenario considered. As with the medium term position, whilst the Council's initial long-term financial planning had been prudent, it is now facing a significant challenge as a result of the changed economic climate.
- 13.6 These projections are based on the same assumptions as the medium-term financial plan with the exception that pay is assumed to increase at 2.5%.
- 13.7 Council Tax levels are currently assumed to increase by 1.9% annually. Table 3.2 shows the effect on available resources if a council tax increase other than 1.9% is applied.

Annual Council Tax Increase	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m	£m
0.0%	(19.594)	(26.565)	(33.754)	(41.215)	(48.896)	(56.831)	(65.025)
1.0%	(9.371)	(12.770)	(16.304)	(20.007)	(23.851)	(27.855)	(32.024)
1.9%	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2.0%	1.051	1.440	1.849	2.278	2.728	3.203	3.701
3.0%	11.683	16.704	20.727	25.681	30.915	36.462	42.333
4.0%	22.527	31.144	40.358	50.253	60.802	72.071	84.100
5.0%	33.576	46.650	60.753	76.030	92.453	110.147	129.191

Change in resources is calculated assuming council tax changes follow from 2012/13 position in Table 3.1

CHAPTER 4 - REVENUE BUDGET 2010/11

1. Summary

- 1.1 The General Fund revenue budget for 2010/11 totals £1,013.3m. Through the re-allocation of resources, it has been possible to commit £67.5m to addressing key priorities and funding essential budget pressures.
- 1.2 Efficiency savings of £69.0m have been identified to meet these pressures and other calls on the council's resources, providing a balanced General Fund budget.
- 1.3 The Housing Revenue Account budget for 2010/11 is balanced.

2. Revenue Budget Allocations for 2010/11

- 2.1 The budget for 2010/11 allows for the following items:-
 - Decisions taken in previous years' financial planning
 - Approved budget pressures
 - Capital financing costs
 - Dedicated Schools Grant budget allocation for schools
 - Savings determined by Portfolio holders
 - Benefits from Business Transformation workstreams generally being available to services to help to meet their savings requirements
 - Resources being amended for the extra costs of the employer's superannuation contribution rate changes, the fallout of pay protection and changes in external levies.

Budget Pressures

- 2.2 Following a base budget review of services, linked to service development plans, the budget allows extra resources to address budget pressures (including any on-going impact of issues identified in monitoring the 2009/10 budget) and to fund new investment in priority services in 2010/11, totalling £67.5m, including £56.4m relating to new decisions this year. The overall investment is planned to increase to £105.2m by 2013/14. Further details of these budget pressures are set out in Appendix F. The main elements are:
 - Significant investment in adult care services in order to address demographic pressures and to provide resources to fund the procurement of quality services
 - Funding increased demand for children's services, including looked after children
 - Meeting the costs of temporary accommodation for homeless people
 - Revenue funding for the capital financing costs of the new Library of Birmingham

- Covering the downturn in income within leisure services, including in constituencies
- Further investment in recycling, meeting the costs of waste disposal and grounds maintenance, together with resources to ensure that highways maintenance is adequately funded
- Making up income shortfalls in bereavement services
- Meeting the impact of the economic cycle on the NEC's trading position.
- Funding for additional pay and grading costs
- Meeting budget pressures caused by a loss of income from planning applications
- Increased payments under the housing subsidy system and revenue funding for capital improvements in the housing stock

Efficiencies and other Savings to allow re-allocation to policy priorities

- 2.3 A range of portfolio savings, including those from Business Transformation programmes, has been identified totalling £69.0m, which are designed to make better use of the Council's resources. The details are set out in Appendix G.
- 2.4 From 2006 to the end of 2010/11, Business Transformation will have yielded aggregate gross savings for the Council as a whole of £255m, including in-year gross savings of £100m in 2010/11. After taking into account costs, represented by revenue charges and capital repayments, the aggregate net Council-wide savings over the same period will be £25m. After a review of in-year benefits, phasing and realisation, the net benefit to the General Fund in 2010/11 will be £14m. Benefit cards are created for each of the Business Transformation programmes, and services have been able to utilise an increase in net benefits of £17m in order to assist them in meeting their £69m savings requirement.

Capital Financing Costs

- 2.5 The revenue effects of capital expenditure have been reviewed in the context of the announcements of Government capital resources, the Capital programme set out in Chapter 8 of this report, and expectations of movements in interest rates. As a consequence, the budget for financing costs is being increased by £6.132m.

Schools' Budgets

- 2.6 Since April 2006, funding for the Schools Budget Block has been through the Dedicated Schools Grant (DSG). The total of DSG and Young People's Learning Agency Grant for the education and training of 16-19 year olds within schools determines the size of the Schools Budget Block.

- 2.7 The provisional DSG figure for 2010/11 is £793.0m, (see Chapter 2, section 3). Whilst the amount per pupil of £4,789.74 is now guaranteed, the actual DSG will be based on January 2010 pupil numbers and will not be confirmed by the Department for Children, Schools and Families (DCSF) until June 2010. This means that the final allocation of grant may be higher or lower than currently projected and budgeted for. Adjustments may, therefore, need to be made to the Schools Budget Block during 2010/11 to reflect any amendment.
- 2.8 In 2010/11 it is estimated that the Council will receive grant from the Young People's Learning Agency of £145.2m to fund the costs of commissioning and funding education and training for 16-19 year olds, of which £46.5m relates to services in schools.
- 2.9 Final budgets, relating to both DSG and the Young People's Learning Agency Grant, will be adjusted accordingly and authority to do so has been delegated to the Corporate Director of Resources, in consultation with both the Strategic Director and Cabinet Member for Children, Young People and Families.

Inflation

- 2.10 There has been no general inflationary increase in expenditure budgets in 2010/11, although income budgets have not been increased either. Growth in income will be available to services to assist in addressing any budget issues.

Contingencies

- 2.11 The budget contains a Policy Contingency of £9.614m. Specific sums included in this figure are:

Table 4.1 - Specific Contingencies

	£000
Partnership Priorities	350
Single Status Implementation	4,771
Highway maintenance	1,000
Balance of loss of car park income due to major developments	281
Balance of CCTV resources	93
	6,495

- 2.12 In addition, there is a general unallocated contingency of £3.119m, higher than in previous years to reflect the degree of change in the organisation. This sum provides some flexibility in the overall management of the budget in 2010/11.

3. The City Council's Net Revenue Budget Requirement for 2010/11

- 3.1 Section 32 of the Local Government Finance Act 1992 specifies the way in which the City Council must calculate its "budget requirement" to be met from Council Tax.

- 3.2 It is proposed that the City Council budget requirement for 2010/11 will be £1,013.329m calculated as follows in accordance with Section 32 of the Local Government Finance Act 1992:-

	£m
Gross City Council Expenditure	3,561.958
Less: Estimated City Council Income	(2,548.629)
City Council Budget Requirement	1,013.329

- 3.3 In summary, the Council has been able to provide resources to meet budget pressures and to fund policy priorities totalling £67.5m, including £11.1m that had already been included in the LTFP. In addition, other issues amounting to £30.9m have also needed to be addressed, leading to a budget financial challenge amounting to £98.4m. Set against that, Formula Grant and Council Tax increases combined have provided an additional £29.4m, and the budget has been balanced through plans for the delivery of savings totalling £69.0m.

- 3.4 The components of the budget increase from 2009/10 can be summarised as follows:

	£m	£m
Base Budget 2009/10		983.948
Cost of Service Changes:		
Inflation	(1.582)	
Pressures and Policy Priorities	67.539	
Portfolio/Committee Efficiency Savings	(69.051)	
Time limited prior year allocations concluding	(0.764)	
Grant Transfers (see Table 2.1, p12)	(0.137)	
Capital Financing Costs	6.132	
		2.137
Corporate Adjustments:		
Movement in Application of One-off Resources	5.827	
Replacement of use of reserves in 2009/10	18.415	
Repayment to reserves	3.002	
		27.244
Base Budget 2010/11		1,013.329

- 3.5 The budget requirement for 2010/11 includes an allowance of £54.623m in respect of the Integrated Transport Authority levy (based on a 1.22% increase in the overall levy, with an adjustment for the Council's relative population share) and £0.308m for the Environment Agency Levy (a reduction of £0.007m from 2009/10).

4 Budget management

Reserves & Balances

- 4.1 The Council's strategy for building up general balances in the medium-term is to make planned contributions of £1.5m per annum.
- 4.2 In 2009/10, corporate resources of £6.827m were applied in the budget for that year only; this reduces to £1.000m in 2010/11. A further £12.581m was temporarily borrowed from reserves for the 2009/10 budget and will be repaid in future years (see Appendix C). The Council has applied corporate reserves as part of the strategy of smoothing out the impact of the costs of the new pay and grading structure (including pay protection) between years.
- 4.3 These corporate adjustments can, therefore, be summarised as follows:

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Borrowing from corporate reserves #	(12.581)	0.000	10.000	6.623
Pay & Grading smoothing	(5.834)	3.002	(1.939)	0.000
Use of one-off resources	(6.827)	(1.000)	0.000	0.000
Total	(25.242)	2.002	8.061	6.623
Change from 2009/10		27.244	33.303	31.865

Plus £4.042m borrowed in 2008/09

Budgetary Control Framework

- 4.4 Other than the resources identified to meet specific areas of spending, Portfolio holders and Committees are required to cover spending pressures, other budget commitments and changed responsibilities within the level of resources summarised in Appendix D.
- 4.5 Each portfolio/committee budget will be the subject of a separate report, setting out in greater detail the budget for 2010/11, including arrangements for the delivery of savings and organisational changes.

5. Employee Implications

- 5.1 Workforce plans are being developed in conjunction with the production of detailed plans for the delivery of services within the resources set out in the 2010/11 budget. These are due to be finalised by the start of the financial year. After having taken account of plans for reviewing and restructuring services, including the impact of moving towards more of a commissioning role in the delivery of services, it is likely that there could be a reduction in funded posts in the region of 1,500–2,000 posts.
- 5.2 Any restructuring proposals will only be progressed after due consultation in accordance with the Council's Human Resources policies and procedures. Redundancy/retirement costs will need to be met by services as part of the costs of implementing organisational change to deliver savings, although all opportunities will be taken to capitalise costs or spread them over a number of years where permissible.

6. Housing Revenue Account

HRA Budget 2010/11

- 6.1 The HRA Budget for 2010/11 is based on a number of assumptions which are consistent with the General Fund Budget Strategy. The key principles are set out below:
- Pay and price inflation has been set at zero to reflect prevailing economic conditions.
 - Service pressures to be absorbed within the approved cash limits.
 - Provision for specific pressures on employer's superannuation and contractual allowances under pay and grading.
 - Compliance with national rent convergence policy.
 - Realising efficiencies in line with the Housing Business Transformation Programme.
 - Retention of minimum balances (subject to Outturn for 2009/10).

6.2 The budget is balanced for 2010/11 and the table explains the major variations compared to 2009/10.

Table 4.5 – HRA Budget 2010/11 movements from 2009/10	
	£m
Reduction in Resources (increase in the 'tax on tenants' through the subsidy system)	7.0
Allowances for Costs (pay & grading, pensions)	3.2
Additional Capital Financing Costs (including affordable prudential borrowing)	2.3
TOTAL COSTS/LOSS OF RESOURCES	12.5
Additional Income (rent/service charge increases after stock loss for sales/demolitions)	(6.9)
Reducing Costs/Delivering Efficiencies (including repairs contracts, Service Level Agreements, rephasing debt repayments)	(5.0)
Improving Performance (shops income and rent collection)	(0.6)
TOTAL INCOME/EFFICIENCIES/COST REDUCTIONS	(12.5)

6.3 The HRA Budget strategy also reflects the Leader's five principles as follows:

- Systematic business transformation such as the Citywide Choice Based Lettings programme.
- Personalised Public Services using the new Tenancy Support Service.
- Addressing and preventing underlying problems rather than just symptoms through the provision of affordable housing.
- Working collaboratively with Birmingham Construction Partnership to increase cost-effectiveness.
- Helping people and communities to help themselves through the responsive repairs and programmed works appointments.

CHAPTER 5 - COUNCIL TAX

1. Summary

- 1.1 After taking account of the level of Formula Grant the City Council will receive, as set out in chapter 1, the total Council Tax for 2010/11 depends on:
- (a) the City Council's "budget requirement";
 - (b) any estimated Collection Fund surplus or deficit to be brought forward from 2009/10;
 - (c) the taxbase for the setting of the Council Tax;
 - (d) the precepts of the Fire and Rescue Authority and the Police Authority; and
 - (e) the precept levied by any parish council (the City Council currently has only one parish, that of New Frankley in Birmingham).
- 1.2 This will result in a council tax increase of 1.9% taking the Council's element of Band D council tax to £1,113.67. The total council tax increase in Birmingham, including precepts and council tax levels can be seen in Appendix H.

2. Budget Requirement

- 2.1 The City Council's "budget requirement" for 2010/11 is £1,013.329m as set out in Chapter 4.

3. Collection Fund

- 3.1 It is estimated that the Council Tax Collection Fund will have a gross surplus of £3.000m as at the end of 2009/10 as a result of new approaches to historic debts; of this, the Council is entitled to £2.649m. This will be a one-off surplus and in future years the Collection Fund is expected to be balanced in line with the LTFP.

4. Taxbase

- 4.1 The taxbase to be used for setting the 2010/11 Council Tax was agreed by the Cabinet at its meeting on 18 January 2010. The taxbase consists of 298,709 "Band D equivalent" properties, after allowing for a non-collection rate of 2%. This taxbase is now fixed for the purposes of setting the 2010/11 Council Tax.
- 4.2 The taxbase has increased by 2,368 band D equivalent properties compared with 2009/10. This includes the impact of the city council's active review of the eligibility of discounts. However, it is the case that the underlying rate of

increase has slowed compared with previous years; this has been taken into account in the LTFFP.

5. Council Tax

- 5.1 The total required from council tax payers in 2010/11 for City Council services (including levies) is summarised as follows:

Table 5.1 - Council Tax Requirement	
	£m
Budget requirement	1,013.329
Less	
Formula Grant	(678.017)
Collection Fund	(2.649)
Total Call on Council Tax Payers	332.663

- 5.2 Dividing this by the tax base of 298,709 Band D equivalent properties gives a Band D Council Tax for the City Council of £1,113.67. This figure represents a 1.9% increase in Council Tax for the City Council - a figure which is once again below the rate of inflation¹, an increase of 40p per week for a Band D property.

Fire and Rescue Authority and Police Authority Precepts

- 5.3 The Police Authority will meet on 18 February 2010, and the Fire and Rescue Authority met on 15 February 2010, to agree the precepts on the City Council.

Parish Precept - New Frankley in Birmingham

- 5.4 The New Frankley in Birmingham Parish Council agreed its precept on 16 November 2009. The precept for the parish in 2010/11 is £90,370 (2009/10: £86,059). The tax base for the Frankley area is 2,095. The effect of the parish precept on the level of Council Tax for a Band D property is £43.14. This represents an increase of 3.9% compared with 2009/10.

¹ Based on the Consumer Prices Index of 2.9% for December 2009, released by the Office for National Statistics on 19 January 2010

CHAPTER 6 - CAPITAL RESOURCES

1. Summary

- 1.1 Capital resources are being affected by the economic downturn and the financial outlook for the Council. Capital receipts are expected to continue to be weaker and future Government grants are likely to be reduced from previous expectations. However, the Government will continue to support some major investment programmes in local authority assets.

2. Capital Resources

- 2.1 Resources of £1,424.7m have been identified to fund the City Council's capital programme from 2010/11-2012/13. These are summarised in Appendix I, and can be divided into specific resources and corporate resources.

3. Specific resources

- 3.1 Specific capital resources total £573.6m over the three years and represent funding which has been obtained by services for a specific purpose - eg government grant and developer contributions. These projects are added to the capital programme on a rolling basis, as the resources are awarded to the City Council.
- 3.2 The difficult financial outlook for the public sector is expected to affect future capital grants to the City Council. However, the Government will continue to support some major investment programmes in local authority assets. For the City Council this will, subject to formal approval, include substantial PFI funding for the Building Schools for the Future programme, for the Municipal Housing development, and for the proposed Highways Maintenance PFI. These 'non conventional' programmes will form a major part of the capital investment undertaken by the Council in the next few years.

4. Corporate resources

- 4.1 Corporate capital resources total £851.1m over the three years. These represent resources which the City Council has more freedom to allocate to its own policy priorities. The main sources are the Single Capital Pot and capital receipts from asset sales.
- 4.2 Single Capital Pot funding from the Government is forecast at £117.6m over the three year Programme. Government Departments have clear expectations about how most of this will be spent, and this is taken into account in the Single Capital Pot Policy in the Capital Strategy (Chapter 7 below). Government statements over recent months suggest that the previously announced level of Single Pot funding for 2010/11 will be maintained, but there are no indications of grant levels from 2011/12 onwards. Following work by the Institute of Fiscal Studies, it

is likely that Government capital investment may be reduced substantially over the three years starting 2011/12, and the City Council's Single Pot resource forecasts are based on this assumption.

- 4.3 Capital receipts from asset sales are generally available for the City Council to spend in accordance with its own priorities, and the policy is set out in Chapter 7. The economic downturn has been affecting the level of capital receipts for the last two years and this is expected to continue for the next few years. The disposals programme is kept under review to assess whether it is better to seek to sell at current prices or to wait for a recovery, and use other financial strategies in the interim.
- 4.4 The consequences of the expected level of forecast capital receipts and in forecast Single Pot resources are set out in the Capital Programme (see Chapter 8).
- 4.5 The proposed Capital Programme includes £530.0m of 'prudential borrowing' over the Capital Programme period. This represents commitments from earlier decisions including funding for the Library of Birmingham, Business Transformation, and other service projects. This Budget proposes a cautious policy in relation to future prudential borrowing, as set out in the Capital Strategy Chapter below.

5. Overprogramming

- 5.1 Planned capital expenditure is liable to 'slip' each year, and £26.6m of over-programming has been included in 2010/11 to take account of a reasonable level of slippage based on previous years' experience.

6. Total Resources

- 6.1 Total capital resources assumed in this Budget are therefore as follows. Further details are at Appendix I.

Table 6.1

Capital resources	2010/11 £m	2011/12 £m	2012/13 £m	Total £m
Specific resources used	180.3	186.7	206.6	573.6
Corporate resources used*	325.6	250.4	275.1	851.1
Total resources used	505.9	437.1	481.7	1,424.7

* includes government-supported and prudential borrowing

CHAPTER 7 - CAPITAL STRATEGY

1. Summary

- 1.1 During 2009/10, services have reviewed the capital and maintenance strategies developed the previous year. This has been done in the context of the Council Plan priorities and forms part of the ten year view in the Council's Long-Term Financial Strategy. Further development of the draft ten year service capital strategies will enable strategic choices to be made and achieve good value from investment decisions, in the context of the challenging outlook for service needs and available resources in the next decade.
- 1.2 The Capital Strategy also sets out corporate policies for distributing capital receipts, distributing 'Single Capital Pot' resources, prudential borrowing, revenue provision for the repayment of borrowing, and lifecycle asset maintenance.

2. General Strategic Aims

- 2.1 There are some general strategic aims underlying capital planning for all services. These are to:
 - Integrate capital planning into the Council's overall strategic planning, including alignment with 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 by affordable means which deliver good 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 whilst retaining clear lines of accountability and responsibility;
 - Relate asset ownership to strategic plans for service delivery.
 - 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.
- 2.2 The following sections of this chapter review key issues from the ongoing capital planning process, and outlines the overall Capital Strategy. The precise approach for any situation will depend on the circumstances, such as external funding available.

3. The Strategic Capital Planning Process

3.1 The strategic capital planning process aims to produce:

- a strategic view of asset use and investment need which responds to the overall vision for service change and delivery over the next ten years;
- a ten year view in line with the Council's Long-Term Financial Strategy;
- a framework in which individual capital proposals are developed in line with the strategic view and taking account of the availability of resources;
- plans for an appropriate level of revenue maintenance for existing and new assets;
- a Capital Strategy for each of the Council's main service areas (at directorate and portfolio level) consistent with the above approach.

3.2 A Capital Strategy Group oversees the process and reviews the proposals at an officer level.

3.3 This strategic ten-year approach is intended as the basis for ongoing capital planning into the future. In the context of a rapidly changing outlook for public sector capital investment and funding, it is recognised that the capital strategy at both corporate and service levels will be continually developing to meet future needs and resources. The Capital Strategy at both service and corporate level will need to be kept under review in the coming months. This will take place in the context of the five principles for the Council's approach to service and financial planning set out in the Long Term Financial Strategy Chapter above.

3.4 The Capital Strategy for individual services (summarised below) seeks to identify the main areas where progress is required in order to implement plans for strategically aligned and affordable asset use and capital investment.

4. Overall Capital Strategy

4.1 The development of City Council services to meet the changing needs of the 21st century will require changes to the asset portfolios delivering those services. Some properties which are currently used for service delivery or back office support may be closed and sold, with services provided differently or in replacement buildings.

4.2 The City Council is already implementing radical change in its property portfolios, including Adults Services (where Special Care Centres and other forms of care and support are replacing the previous Elderly Persons Homes) and the Central Administrative Buildings portfolio (where many inefficient buildings are being replaced by fewer, more efficient office buildings). This approach will be rolled out to other areas, for example through the Cross-Portfolio transformation programme.

4.3 The City Council will continue to develop long-term capital strategies and investment programmes using Government support where available, for example

through the Building Schools for the Future (BSF) Programme and the proposed Highways Maintenance PFI, where these are affordable and support City Council policy.

- 4.4 Asset maintenance strategies need further development in some areas to ensure that asset portfolios are sustainable and do not deteriorate. For new capital investment in particular, services will set aside resources into a cyclical maintenance reserve for future cyclical maintenance and replacement needs (see section 14 below).
- 4.5 The City Council's Asset Management Plan 2007-2012 (AMP) has been approved by the Cabinet Committee (Property). It describes the current position for the management of the property assets, examines influences for change across the Council whether driven by Government or the Council, and makes recommendations for action.
- 4.6 Asset management planning will be a key part of the review and delivery of Council services through the challenges of the next decade. It is therefore an important priority, and has key interfaces with the efficiency agenda and the Business Transformation Strategic Partnership.
- 4.7 Corporate strategic capital allocations will be made to services in accordance with the principles for service delivery set out in Chapter 3 and based upon agreed priorities as set out in service ten year capital strategies. In the short term, corporate capital resources are limited, as described in Chapter 6 above.
- 4.8 The rest of this chapter outlines the capital strategies of the major service areas (paragraphs 5-11) and the major corporate policies relating to capital planning (paragraphs 12-17).

Major Service Capital Strategies

5. Housing Strategy and HRA Business Plan

- 5.1 The HRA Business Plan sets out, over a 30-year period, plans for revenue and capital income and expenditure relating to HRA properties on an integrated basis. Planned investment is required to ensure that retained council housing properties will not only have achieved the Decent Homes Standard by 2010 (as required by Government), but are also kept at or above this standard subsequently, including any structural works needed to the fabric of the buildings. Further investment in an extensive kitchens and bathrooms renewal programme is also included to reflect the reality that some of these facilities are beyond their economic life. The HRA Business Plan sets out how this investment will be carried out and funded.
- 5.2 The Directorate has begun a new build programme which will see 129 homes completed by March 2011 and proposals for future schemes being drawn up. It is also pursuing a Private Finance Initiative (PFI) scheme which will cover a combination of new build council housing, conversions of flats into larger family

homes and refurbishments, with overall value of the PFI contract anticipated to be about £100m.

- 5.3 Funding assumptions for the capital investment programme included within the HRA Business Plan do not assume any contribution from general corporate resources, other than the continuation of existing policies for the treatment of useable capital receipts from Right to Buy (RTB) and housing land sales (as set out in paragraph 16 below). Prudential borrowing is being used to support the HRA Business Plan. The current Business Plan revision demonstrates that this is affordable over the long-term (30 years+).
- 5.4 The Directorate also has a statutory strategic housing responsibility which means that it is involved in:
- the provision of new affordable housing through discounted land disposals.
 - reducing the number, and bringing back into use, empty properties.
 - providing support in low demand housing markets areas, such as North West of Birmingham.
 - support for vulnerable owner occupiers (e.g. adaptations and affordable warmth programmes).
 - decent homes for owner occupiers through equity loan support e.g. Kickstart.
 - support to private sector to tackle homelessness e.g. Places for Change Programme.

6. **Transportation and Street Services**

- 6.1 The City's highway network enables the movement of people, goods and materials around Birmingham thereby contributing to economic success and supporting new development and housing growth in the City. A key element of the service strategy aims to keep the City's highway network in 'good working order' and to undertake specifically targeted initiatives to improve its operation, in line with the City Council's strategy for transportation.
- 6.2 Significant maintenance backlogs exist in relation to the highway network. The City Council is in the final stages of entering into a 25 year PFI contract to restore the network to a sustainable condition. The PFI contractor will undertake a major capital investment during the first 5 years of the contract to restore the network to a sustainable condition. Contract close is estimated for early 2010/11. Thereafter, in addition to routine maintenance, the contractor will be required to provide additional ongoing investment to maintain the asset in a fit for purpose condition. As a consequence of the receipt of PFI Credits from Government, Birmingham will be able to invest an extra £1.22 billion (£49m per annum) in the service over the life of the contract. This, when added to the City Council's resources, will deliver total spending of £2.7 billion over the duration of the contract.

- 6.3 The strategy also reflects the provision of improvements on local and strategic roads in the network which add new assets to the network. 2010/11 is the final year of the current five year Local Transport Plan (LTP), and work has commenced on its successor. LTP capital resources are likely to be appreciably reduced. The Portfolio's capital strategy has taken this factor into account, but the strategy may need to be reviewed in the light of the next Government's Public Sector spending plans.
- 6.4 The Portfolio's strategy for future major projects is to seek to obtain developer and/or regional contributions so as not to have to call on limited corporate capital resources. In the present economic climate, developer contributions are proving to be difficult to obtain and this factor is likely to impact on the ability to bring such major schemes forward.
- 6.5 The Fleet and Waste Management service's overall strategy is to achieve waste minimisation, meeting challenging recycling targets, reduced reliance on landfill and move to more sustainable disposal methods with a modernised service delivery. The redevelopment of Lifford Household Recycling Centre (HRC) and depot and redevelopment of Perry Barr Depot and HRC are included in the existing capital programme, and options are being formulated to develop a Combined Heat and Power (CHP) facility, and other longer term developments are being considered.
- 6.6 Funded plans are in place in Bereavement Services to meet Environmental Protection Act 1990 (Mercury Abatement Emissions) requirements. Condition surveys are carried out to identify requirements/priorities.

7. Children Young People & Families

- 7.1 As part of the drive to raise standards, the City Council is transforming its school estate as part of the Government led Transformation Programme. The objective is to make the estate fit for purpose in the 21st century through innovative combinations of rebuilding, remodelling and curriculum delivery. A Local Education Partnership (LEP) has been established, and phase 1 of the programme has commenced on site. This is a major programme:
- There are six phases of new build/remodel/refurbish for all our 76 secondary schools. The emphasis will be on ensuring appropriate curricula are offered to meet the needs of the children and this is related to the design of the school. The Council will also need to incorporate the '14-19 Agenda' reforms set out in recent legislation.
 - A Primary Strategy for Change Vision document has been approved by DCSF. This will affect up to 50% of schools.
 - Following widespread public consultation, implementation of the Strategy for Special Provision will shortly commence. This will look at synergies with the secondary and primary phases of our transformation programme.
- 7.2 Increases in birth rate will have a significant impact initially on the primary school estate. Severe pressures are forecast for 2011/12 and by 2019 it is envisaged that 100+ additional forms of entry will need to have been provided at

primary schools, and this pressure will subsequently feed through into secondary phase.

- 7.3 This work has clear links with Housing, Regeneration and Leisure. Strategic and operational approaches are being developed to ensure joined up planning and delivery to meet the needs of future communities in Birmingham.
- 7.4 There are a number of challenges in funding this programme. These include achieving an affordable BSF programme (including appropriate funding for asset maintenance), securing funding to support the provision of additional pupil places and obtaining land needed for schools.
- 7.5 With increasing numbers of children there will be increasing demand on other children's services including Youth service, Early Years, Outdoor Learning and Children's Homes. Reviews will need to take place as well as seeking to maximise external funding opportunity.

8. Leisure, Sport and Culture

- 8.1 This Portfolio covers a wide range of services with an extensive property portfolio used directly by most residents. These services do not receive regular capital funding from Government and this makes the maintenance and renewal of property particularly challenging, with a significant backlog of work to maintain health and safety and provide facilities that will enable the delivery of performance targets such as active participation in sports and physical activities.
- 8.2 The development of major projects continues and is a key element of the Portfolio's strategy and contribution to policy priorities. The new Library of Birmingham is progressing to programme and within budget.
- 8.3 The replacement of Harborne Swimming Pool and Fitness Centre is under way, and proposals for other 'first tranche' pools are being developed pending funding being secured. Other key sports-related capital investment includes improvements to Alexander Stadium which are essential to hosting the USA Olympic Track and Field Team prior to the 2012 Olympics. This is a major coup in promoting the City nationally and internationally.
- 8.4 Given the limited level of City Council capital resources likely to be available the capital strategies for Museums, Arts and Parks and Open Spaces will be heavily reliant on external funding. The focus of the strategy for Parks and Open Spaces will be the health and safety and maintenance of the infrastructure, linked to the service asset management plan.
- 8.5 The Portfolio does not under-estimate the size of the task it faces to provide facilities that meet the priorities of the City Council and is therefore developing options to provide investment opportunities. These options include operator and provider Trust arrangements for leisure facilities and disposal of assets to generate receipts.

9. Regeneration

- 9.1 The strategic vision for transformational and sustainable regeneration, which enables the City to 'Succeed Economically', includes the following capital investment priorities:
- the Big City Plan (BCP)
 - Growth and Employment
 - High Speed 2
 - Sustainability and Energy Infrastructure
- 9.2 Also key to the strategy are the Birmingham Regional Impact Investment Locations (Birmingham Gateway New Street Station, Eastside, Longbridge and Icknield Port Loop/Western Corridor), using an integrated approach to regeneration that includes: economic development, housing and regeneration, transport and skills.
- 9.3 The strategy is being developed over the short, medium and long term and focuses on maximising external resources and exploring alternative operational and financial models. Funding options being explored include Regional Funding Allocations, ERDF Package Plan 2008 –2013, Joint European Support for Sustainable Investment in City Areas, and EU2020 Vision (post 2013 Structural Funds).

10. Adults and Communities

- 10.1 The Directorate has continued to develop and implement its Business Transformation objectives to support people in exercising greater control over their care and support so that they can experience greater independence, wellbeing and dignity.
- 10.2 Through the exercise of greater individual control, there will be an inevitable shift away from residential care to a greater level of support within the community. The Directorate's strategy to support this changing environment is therefore to focus on:
- Disinvestment from capital assets and a reinvestment within community support services.
 - Maintaining those assets that remain part of the continuing internal provision at a high standard.
 - Developing new assets only where there are specific needs for a service that is less cost effective to procure externally.
 - Using capital receipts from the sale of redundant assets to fund replacement or refurbishment where necessary.

11. Working For The Future

- 11.1 The Working For The Future programme aims to transform the Council's property portfolio, underpinning all of the other transformation programmes to make significant improvements to customer service delivery and enhance the working environment for employees.
- 11.2 Working For The Future aims to provide modern, fit for purpose buildings and work space for customers and employees; to encourage wider adoption of agile working practices such as desk/space sharing, mobile and home working; and to provide a Council-wide property and facilities management service – freeing up managers' time so they can focus on service delivery.
- 11.3 Significant progress has been on the Central Administrative Buildings (CAB) sub-programme with the handover and occupation of Lifford House (Stirchley), the completion of the Phase 1 of Lancaster Circus (3rd & 4th floors), and the start of work on new offices in Woodcock Street.
- 11.4 The Cross Portfolio sub-programme closely involves the constituencies, and is concerned with developing a city wide strategy for front line service buildings co-locating and integrating City Council and partner services. Two major projects are emerging - Farm Park, Sparkbrook, a joint scheme with Heart of Birmingham PCT (business case approved July 2009) and the Poolway, Yardley. This scheme will include a number of public sector partner services as well as a wide range of BCC services and the Full Business Case (FBC) will be completed in early 2010. The Council will seek to optimise the use of public resources in conjunction with partners and, in particular, will maximise the benefits that will accrue from the Total Place and Total Capital initiatives.

ICT

- 11.5 The Co-ordinating Overview & Scrutiny (Finance & Performance) Sub-Committee has agreed that the Council should also prepare a cross-authority capital strategy for its ICT requirement to bring together the Council's significant ICT investment plans included within its Business Transformation and other programmes. This is presently being prepared.

Capital Policies

12. Prudential Borrowing

- 12.1 Prudential Borrowing offers local authorities more flexibility in their capital planning and greater ability to borrow for capital, providing they can sustainably afford the revenue consequences. The City Council has made significant use of prudential borrowing to deliver key priorities such as funding Business Transformation, the Library of Birmingham, Special Care Centres, equal pay settlements (back pay), and many smaller scale service priorities.

- 12.2 The City Council's policy is to enable services to use prudential borrowing where they can meet the revenue consequences, providing the business case is sound and the proposal is consistent with Council policies.
- 12.3 The City Council is planning to repay its prudential borrowing within the expected life of the assets created, and sometimes within a shorter period. This should enable capacity for further borrowing to be created over the years.
- 12.4 The Prudential Code requires authorities to take account of the affordability and sustainability of borrowing in the long-term, and it is recognised that the financial and economic climate in future years is likely to reduce the opportunities for further prudential borrowing. The Council will therefore exercise caution when considering spending plans for the future which use prudential borrowing. No new corporately-funded prudential borrowing will be made without Cabinet approval, and Cabinet capital monitoring reports will contain increased information about new service-funded prudential borrowing included in the Budget.
- 12.5 The Capital Budget chapter below considers the prudential borrowing limit, and Appendix L sets out the full Prudential Indicators.

13. Annual MRP Statement

- 13.1 Government Guidance requires the full Council to approve a statement of its policy on making Minimum Revenue Provision (MRP). MRP is an annual revenue charge for the repayment of borrowing and other capital financing liabilities. Government Regulations give authorities some discretion about how to calculate 'prudent provision' for MRP. However, the statutory guidance steers authorities firmly towards a limited choice of options in which the key principles are demonstrating prudence, and repaying borrowing over the period in which the capital expenditure provides benefits. The City Council's MRP Statement is attached at Appendix J.

14. Lifecycle maintenance

- 14.1 The City Council is progressively tackling the backlog of maintenance on its existing assets. However, it also needs to ensure that resources are available for the future maintenance of its capital investment in new assets.
- 14.2 Last year's Budget report introduced a policy that an annual revenue contribution will be made by the service into a Cyclical Maintenance Reserve, in relation to new capital investment (with some exceptions). This will generally be 2.4% pa of the capital cost, unless other prudent arrangements specific to the project have been made. The reserve will be held for future cyclical maintenance and renewal of those assets. The adoption of planned funding for the future maintenance needs enables a reduction in prudential borrowing charges, as it can be expected that the asset life will be enhanced.

15. Provisional Capital Allocations and Approved Capital Budget

- 15.1 The City Council's capital appraisal and approval processes require that projects included in the Capital Programme may not proceed to spend until a Business Case report has been approved for the project.
- 15.2 Additions to the Capital Programme will be shown as 'Provisional Capital Allocations'. When a specific Business Case approval to spend the allocation has been obtained, the project resources will be shown as 'Approved Capital Budget' and released for spending.

16. Capital Receipts Policy

- 16.1 The policy for the application of capital receipts approved previously is proposed to remain in place. The policy is as follows (in summary):
- Property rationalisation: service receives 25% (up to £1m)
 - For property managed by Constituencies: 25% to the Constituency and 10% to the strategic service involved (within the £1m limit)
 - Housing Right to Buy sales: Housing receives 100% of the retained element (25%)
 - Other Housing land sales: Housing receives 80% of open market value to fund decent homes, less discounts from the sale price, and s.106 requirements
 - Disposals at the NEC site: 100% for reinvestment at the NEC
 - Some other specific receipts approvals agreed before the above framework was introduced in 2005 remain in place
- 16.2 The Council has supported the objectives of the Quirk review of community assets, to encourage community cohesion and participation. This may lead to the disposal of Council assets at less than best value to third sector organisations, and this reduces the corporate capital resources available to fund the capital budget. The Council will set a limit to the level of discounts granted on such sales, in order to ensure that scarce resources are allocated in line with Council priorities.

17. Single Capital Pot Policy

- 17.1 The Government's Single Capital Pot allocation is available to spend on any service in line with City Council priorities, but in practice Government Departments expect it to be used largely to achieve their targets and objectives for four major services. The Council's established policy is to allocate the bulk of Single Pot allocations direct to the four services as follows:

Table 7.1 - Single Capital Pot 2010/11

		Government Announcement £m	Council Allocation £m
Education	75%	18.9	14.2
Housing	100%	12.4	12.4
Transport	75%	12.8	9.7
Social Services	75%	0.8	0.6
Corporate reallocation			8.0
Total		44.9	44.9

CHAPTER 8 - CAPITAL PROGRAMME

1. Summary

- 1.1 The multi-year Capital Programme totals £1,424.7m, of which £505.9m is budgeted in 2010/11. This is slightly larger than the Programme approved in last year's Budget, mainly due to the addition of the New Street Station "Gateway" project.
- 1.2 The scope for new projects is, however, being reduced by the limited level of resources becoming available. The emphasis this year is on consolidating the existing Programme and seeking external funding where possible for new initiatives.
- 1.3 Chapter 6 has set out the forecast capital resources available over the next three years. The Capital Strategy in chapter 7 has described a ten year strategic framework and general policies for capital resources and investment. This chapter sets out the proposed Capital Programme in this context.

2. Allocations of capital resources

- 2.1 Chapter 6 forecasts a constrained level of capital grants and capital receipts from asset sales. The allocations of corporate capital resources are therefore restricted in this year's Budget to the 'policy' allocations of Single Capital Pot resources and capital receipts as set out in the Capital Strategy.
- 2.2 The corporate capital contingency has £7.9m of resources remaining uncommitted, and it is proposed to increase this by £5.0m to ensure that some funding is available to support small scale urgent capital expenditure across Council services where this is needed to keep properties open or maintain services where other specific resources are not available. This could include health and safety and other urgent issues. Allocations in excess of Chief Officer delegations will be recommended to Cabinet. This will follow review by the Capital Strategy Group, where practicable and appropriate.
- 2.3 Additional specific resources will also be added to the budget during the year as they are awarded. Capital expenditure funded from specific resources amounts to £573.6m in this Budget. Given that corporate funding is unlikely to be available (as above), services will need to rely primarily on obtaining external grants and other funding.
- 2.4 Within this budget framework further service-supported prudential borrowing could also be agreed during the year, where projects are self-financing or resources are identified to meet the borrowing costs and other revenue costs. However, borrowing will need to be contained within the prudential limits set out in Section 4 and Appendix L.

3. Total Capital Programme

3.1 The proposed Capital Programme by Portfolio or Committee is therefore as follows:

Table 8.1 - Capital Programme by portfolio and committee

Capital expenditure	2010/11	2011/12	2012/13	Total
	£m	£m	£m	£m
Leader's	15.2	5.0	0.0	20.2
Deputy Leader's	102.8	51.9	152.7	307.4
Adults and Communities	5.3	1.1	0.7	7.1
Children Young People & Families	75.3	43.4	39.4	158.1
Equalities and Human Resources	0.4	0.5	0.0	0.9
Housing	129.8	105.3	105.3	340.4
Leisure Sport & Culture	63.6	102.6	48.6	214.8
Local Services & Community Safety	0.0	0.0	0.0	0.0
Regeneration	32.8	13.8	0.4	47.0
Transportation and Street Services	64.8	98.3	133.6	296.7
Planning Committee	0.0	0.0	0.0	0.0
Public Protection	0.5	0.0	0.0	0.5
Corporately held resources	15.4	15.2	1.0	31.6
Total Programme	505.9	437.1	481.7	1,424.7

3.2 Appendix K provides a high level summary of the projects in the above Programme.

3.3 The Capital Programme excludes capital expenditure by contractors under proposed PFI schemes. Major PFI proposals currently being considered include Building Schools for the Future programme and the Highways maintenance PFI. However, the funding of these projects will be allowed for in the Prudential Limit as required by the Prudential Code.

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. Appendix L provides the Prudential Indicators which result from the above capital budget and considers other matters which the Code requires authorities to take into account.

4.2 The Capital Strategy chapter has set out a cautious policy for prudential borrowing, in the context of the difficult medium term financial outlook for the City Council. Revenue sums set aside for the prudent repayment of borrowing are increasing in each of the next three years. The prudential limit retains some

scope for new prudential borrowing, for example where the revenue costs can be met from additional income or savings. This flexibility to use limited prudential borrowing will be a major tool in delivering the invest - to - save projects which will be important in the next few years.

- 4.3 In the light of this strategy the Council's forecast gross borrowing is expected to rise from £2,269.0m to £2,430.2m during 2010/11. The cost of financing the interest and repayment of the Council's planned borrowing is included in the revenue budget and is fully covered in the Long Term Financial Plan, where it is taken into account in the assumed Council Tax increase of 1.9% for each of the ten years in the plan. Most of the Council's borrowing costs are funded from Government grants or from additional income or savings generated by the associated projects. This includes major self-financing investments such as the NEC refinancing, Business Transformation, and the Pallasades.
- 4.4 In setting the Authorised Limit for Debt, authorities must take account of borrowing and other long term liabilities such as PFI, as well as making allowance for the risks and uncertainties which affect day-to-day debt levels, and the ups and downs of short-term cashflow. Allowance has also been made for potential funding needs during 2010/11 which are not included in the budget. The overall limit is therefore built up as follows:

Table 8.2 - Borrowing Limits

	£m
Forecast gross borrowing at 31 March 2010	2,269
Capital Programme Expenditure financed from borrowing	242
Less debt repayment provision	(106)
Maturing investments	(35)
Other forecast cashflows	60
Forecast borrowing at 31 March 2011 (operational boundary)	2,430
Allowance for cashflow variations, borrowing in advance, and further potential borrowing	407
Other long-term liabilities (including PFI)	325
Authorised Limit for Debt, 2010/11	3,162

CHAPTER 9 - TREASURY MANAGEMENT STRATEGY

1. Summary

- 1.1 The Treasury Management Policy at Appendix M sets out the policy and framework for this Treasury Management Strategy. The economic and financial market outlook is currently particularly uncertain, which means that there are high risks to the level of future interest rates. However the City Council has a relatively small borrowing requirement for the next two or three years, due to a combination of borrowing in advance, increased debt repayment provision, and few debt maturities. Further long-term borrowing may take place to take advantage of currently low rates, and to fund specific initiatives.

2. Purpose

- 2.1 This Strategy sets out the context for the City Council's borrowing, investment and other treasury management activities in the coming financial year and recommends an appropriate strategy to manage the treasury management risks involved.

3. Background

- 3.1 Before the start of each financial year, the Corporate Director of Resources prepares a Treasury Management Strategy for the forthcoming year as an essential part of managing the Council's debt, investments and other treasury management risks. This report complies with CIPFA's Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities.
- 3.2 The Audit Committee, at its January meeting, considered the draft of this Strategy, together with the Policy at Appendix M.
- 3.3 In this chapter, debt and investments are expressed at nominal value, which may be different from the amortised cost value used in the statutory accounts.

4. Objectives of Treasury Management

- 4.1 The Treasury Policy Statement at Appendix M sets the City Council's objectives and provides a management and control framework for its Treasury Management activities. The key objective is:

'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 principal sums invested.'

- 4.2 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.
- 4.3 These objectives must be implemented flexibly in the light of changing market circumstances. The Corporate Director of Resources and the Director of Corporate Finance hold regular meetings with senior staff to monitor market conditions and review planned activities and performance. Reports monitoring treasury activities are presented to Cabinet quarterly and at outturn.

5. The City Council's Debt

- 5.1 The City Council's debt portfolio at 31st March 2010 is forecast to be as follows:

Table 9.1 - Summary of Debt Portfolio		Debt £m
Short term and variable debt		89.7
Fixed Rate: Under 5 years		133.3
5-9 years		234.1
10-19 years		240.1
20-39 years		872.7
40+ years		699.1
Gross debt		2,269.0
Less treasury investment		(35.0)
Forecast Net Debt at 31 March 2010		2,234.0

6. City Council Borrowing Requirement

- 6.1 The City Council's net debt is forecast to increase by £161.3m to £2,395.3m over the coming three years to 31 March 2013. Additional borrowing to finance proposed capital expenditure will be partially offset by the amounts set aside each year for debt repayment (ie Minimum Revenue Provision) and other cashflows, as follows:

Table 9.2 – Forecast borrowing requirement

	2010/11 £m	2011/12 £m	2012/13 £m
Net debt 1 April	2,234.0	2,430.2	2,487.1
Capital financed from borrowing	242.2	183.7	75.2
Provisions for debt repayment:			
- revenue	(106.0)	(116.7)	(121.9)
- capital receipts			(2.8)
Day-to-day variables in cashflow	60.0	(10.1)	(42.3)
Net debt 31 March	<u>2,430.2</u>	<u>2,487.1</u>	<u>2,395.3</u>

- 6.2 Assuming no further long-term borrowing during the next three year period and taking account of debt maturities, the Council's exposure to short-term and variable rate will increase as follows:

Table 9.3 - Forecast Variable Rate Exposure

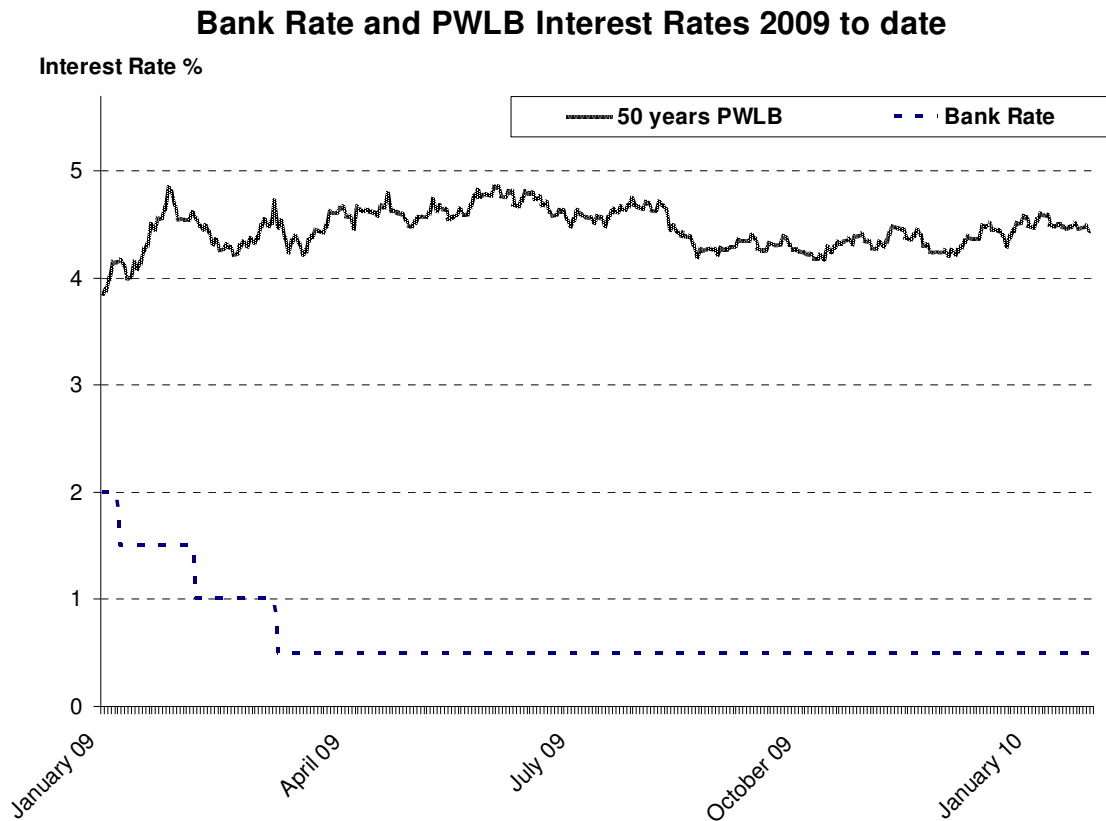
(taking account of debt maturities)	2010/11	2011/12	2012/13
	£m	£m	£m
Net exposure to variable rates	250.9	307.8	248.4
Closing total net debt	2,430.2	2,487.1	2,395.3
Variable exposure %	10.3%	12.4%	10.4%
Gen. Fund cost of a 1% rate increase	1.1	1.2	0.4
Year end variable rate assumption provided for in the budget	1.0%	3.0%	5.0%

- 6.3 The Policy Statement sets a limit for exposure to variable rates of -30% to +35%. These figures show that variable rate exposure is forecast to remain within these limits for the next three years, even if no further long-term fixed rate borrowing is taken.
- 6.4 The Council has borrowed £156.9m 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. Only £20m of these options have any significant risk of being exercised during the coming three financial years, and this would not significantly change the net exposure to variable rates shown above.

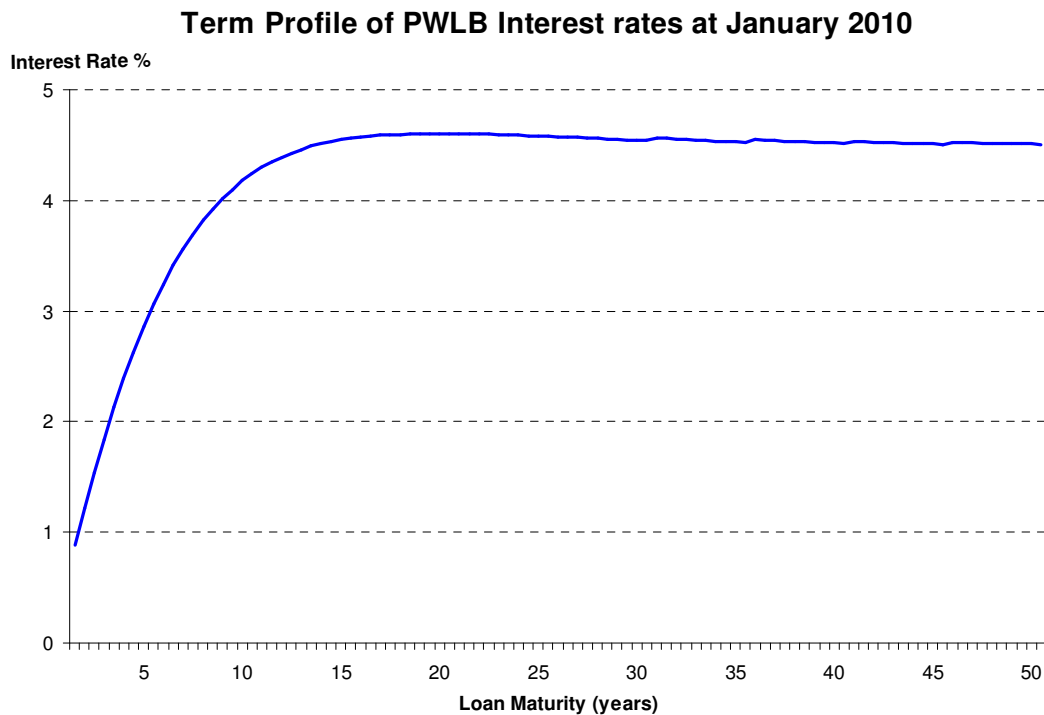
7. Interest Rate Outlook

- 7.1 Base rates currently stand at an all time low of 0.5% as a result of the banking crisis and economic recession. The Monetary Policy Committee has also provided further economic stimulus through the quantitative easing (QE) programme. However, expected reductions in public spending and increases in taxation may slow any economic recovery, and many economists think that a 'double dip' recession, or prolonged stagnation, is likely, with the risk of price deflation. These factors mean that base rates may remain at their current level into the summer of 2010 before starting to rise.
- 7.2 In the longer term, a resurgence of inflation is, however, a higher risk as economies recover and the monetary effect of QE works through the economy. Governments around the world (including the UK) may also need to pay higher interest rates in order to fund the enormously increased level of sovereign debt. Long term interest rates (including those offered to local authorities by the Public Works Loans Board or PWLB) may start to rise sooner than short term rates, and may increase to levels higher than in recent years.

- 7.3 The graph below shows how base rates and long term PWLB rates have moved since January 2009 – although past performance is, of course, not necessarily a guide to the future:



- 7.4 The following graph shows PWLB loan rates in early January 2010, showing that the cost of fixed rate borrowing increases steeply from 1 year rates below 1% to ten year rates around 4%:



8. 2010/11 Strategy

- 8.1 The City Council's new borrowing needs are relatively low, as explained in section 6. The budget already assumes a significant rise in variable interest costs, and the City Council's exposure to variable rates remains low. There is therefore no pressing need to take further fixed rate borrowing in the coming two to three years.
- 8.2 We expect the cost of fixed rate borrowing to rise, perhaps significantly, over the next few years. However, taking fixed rate funding during 2010/11 would be more expensive than short term variable rate funding, for the next year or two at least, so it would mean higher short term costs in return for potentially lower long term costs. On balance our current judgement is that the Council has taken enough fixed rate funding, given the interest rate outlook and the Council's moderate borrowing requirement for the next few years.
- 8.3 Given the extreme volatility in gilt yields there may be opportunities to manage risks by prematurely repaying Public Works Loans Board (PWLB) loans in one maturity and reborrowing in another maturity. However, the PWLB applies a substantial penalty cost of 0.3% to 0.5% to the repurchase yield, which means that rescheduling is less often likely to be viable than in the past (although the PWLB are currently reviewing their repurchase rates).
- 8.4 The volatility of debt markets also makes the outlook highly uncertain. The Treasury Management Strategy must be flexible to adapt to changing circumstances. The strategy will be implemented by the Corporate Director of Resources in accordance with treasury management delegations.

9. Treasury Management revenue budget

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

Table 9.4 - Treasury Management Budget

	2010/11 budget £m	2011/12 forecast £m	2012/13 forecast £m
Net interest costs	128.9	134.9	138.4
Revenue charge for debt repayment	106.0	116.7	121.9
Other costs	0.5	0.5	0.5
Total	235.4	252.1	260.8
recharged to HRA	(40.1)	(47.3)	(51.7)
recharged to other services	(76.8)	(88.9)	(95.7)
contributions to (from) reserves	0.3	1.8	0.6
Net Treasury Management budget	118.8	117.7	114.0

- 9.2 Actual interest costs will be affected not only by future interest rates, but also by the City Council's cashflows, the level of its revenue reserves and provisions, and any debt restructuring.

10. Risks and Alternative Strategies

- 10.1 The main risks to interest rates in 2010/11 relate to how successfully the UK and other major economies recover from the recession:

Upward pressure on rates:

- economic recovery
- resurgence of inflation
- reduced investor confidence in Sovereign debt
- currency depreciation

Downward pressure on rates:

- a more protracted recession than expected
- price deflation
- continuation of the banking crisis / lack of bank lending

11. Sources of Borrowing

- 11.1 The PWLB will probably continue to be the cheapest source of most long-term fixed rate finance during 2010/11. However, other sources of finance will continue to be evaluated as an alternative to PWLB funding and will be used if appropriate, including Lender's Option Borrower's Option (LOBO) loans.

12. Investments

- 12.1 The City Council is forecast to start 2010/11 with a relatively small amount of investments, around £35m. During the banking crisis, the City Council's approach has been largely to avoid direct lending to banks and to use the AAA rated money market funds which are approved in the Investment Policy in Appendix M. 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. As a degree of stability returns to the banking sector, more use may be made of financial institutions meeting the Investment Policy criteria, but the level of investments is likely to be relatively small compared with recent years.
- 12.2 Since the financial market turmoil of 2008/09, the Corporate Director of Resources has been using a very restricted list of banks within the overall policy, and restrictions are likely to continue during 2010/11. At the time of writing, no investments are being made in the lowest rated institutions (ie in the £15m limit category). Investments in the institutions in the £20m limit are restricted to a maximum of one month only, and investments in the institutions in the £25m limit are restricted to a maximum of two months. These temporary restrictions within the Council's general policy are reviewed continually in the light of financial market circumstances.

- 12.3 In managing investment risks the City Council will as always give priority to the security of capital, accepting that this will mean choosing investments with a lower interest rate. This may include investments in the UK Government which earn very low interest rates.

13. Other Treasury Management exposures

- 13.1 The City Council is guaranteeing the repayment of £73m of NEC (Developments) plc stock, due in 2027. Contributions to a sinking fund for the repayment of this stock are being provided in the Council's revenue budget. The City Council also has some smaller exposure to operational leases of equipment. These treasury management risks will be kept under review and options for managing these risks are brought forward to the Executive when appropriate.

14. Advisers

- 14.1 This Strategy has been prepared in discussion with Butlers Treasury Consultancy Services who provide treasury management advice. Advice relating to operating leases is obtained from Unilink Finance Ltd. Both advisers have been a valuable support in view of the size of the transactions involved and the pressures on staff time, which represents good value for money. Their appointments are renewable at least triennially.

15. Prudential Indicators for Treasury Management

- 15.1 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 contained in the Treasury Management Policy in Appendix M.

CHAPTER 10 – FINANCIAL RISKS

1. Summary

- 1.1 There are established arrangements in place for the management of risks, both at a corporate and directorate level. The key financial risks are summarised below, together with the actions which are in place to manage and mitigate them.
- 1.2 In appropriate cases, contingency budgets (both revenue and capital) have been set aside to cover the eventuality that financial risks cannot be fully contained.
- 1.3 Notwithstanding the above, there is also a sufficient level of reserves and balances, and strategies are in place to build this further where appropriate, so that the overall financial standing of the Council is not felt to be at significant risk.
- 1.4 Bearing in mind the risk and financial management arrangements, taken together with the contingencies and reserves/balances, the view of the Corporate Director of Resources is that the budget proposals are based on robust estimates.

2. General Approach

- 2.1 Inevitably, the City Council faces some uncertainties when planning its finances and, as such, this creates some risks which need to be managed. This is always the case. This is partly addressed by making prudent assumptions in financial forward planning, through the provision of various contingencies, and through the application of the Council's general risk management arrangements.
- 2.2 This chapter focuses on risks which could have a significant financial implication. It, therefore, represents a sub-set of the overall Risk Register. The largest risks are described in more detail in the text below and these, together with others with a less material financial impact, are summarised in Appendix N. Unless otherwise indicated, through the provision of corporate resources or management action, risks will be managed at a directorate level in the course of day-to-day risk management activity.

3. Significant Budget Risks & Management Actions

- 3.1 The more significant potential risks, which the City Council must manage, are set out below, together with the actions which are being put in place in order to mitigate those risks.

- There are unfunded budget pressures, caused by a variety of factors (including legal requirements, service demand, demographic changes, unresolved base budget issues, the impact of the recession etc.)

There has been a thorough base budget review of requirements, taking into account all of the factors listed above. The budget is managed proactively, with regular monitoring from a very early stage of each financial year, allowing any issues to be addressed swiftly.

- The rate of inflation increases, adding pressures to budgets

Although it is expected that there may be some inflationary pressures in the coming months, the general economic outlook remains relatively benign. There may also be reductions in certain areas of expenditure, eg. energy prices as contracts are renewed. Nevertheless, specific and known issues have been addressed in setting individual portfolio/committee budgets, and provision for inflation has been included in the LTFP from 2011/12, including a contingency sum of £6m per annum to meet any effects from 2010/11 that may be on-going. The cost of any pay award in 2010/11 will need to be met by services, if necessary by making compensatory savings.

- Planned savings are not achieved

Whilst it is true that this Financial Plan includes an ambitious efficiency programme, each of the proposals has been the subject of thorough appraisal and, in some cases, a prudent degree of caution has been included in the figures assumed. In the case of the major and specific "projects", such as Business Transformation programmes, there are robust governance arrangements for the evaluation of business cases. Savings have been incorporated into integrated portfolio/committee savings programmes. The implementation of management actions needed to deliver savings is the subject of robust and frequent monitoring, which is incorporated into the revenue budget monitoring reports to the Cabinet and to the Co-ordinating Overview & Scrutiny Finance & Performance Sub-Committee.

- In managing a reduction in the number of employees, the council will face severance costs which, until individuals are identified, are not precisely known.

Directorates, as part of their savings proposals, have been asked to incorporate severance costs into their proposals. There are a number of financing routes available to the Council, including spreading costs from the pension authority over a number of years, and seeking capitalisation directions from Central Government. A more detailed analysis of staffing impacts is being concluded through Directorate workforce plans and this will inform the proposed funding strategies to be recommended to Cabinet.

- Overspendings in 2009/10 need to be carried forward into 2010/11

Whilst a potential overspending of £14.3m has been reported as at Month 8, continued management action is being taken to reduce that figure, including placing restrictions on non-essential expenditure. Individual portfolios and committees will need to carry forward any unresolved overspendings, and so these do not need to be taken into account corporately in setting the 2010/11 budget, although some of the savings proposals (eg. Constituencies) in the medium-term have been developed in order to ensure that such deficits carried forward can be accommodated on a planned basis.

- There are some increases in the costs of the pay and grading structure as a result of successful appeals and/or the Council receives further equal pay claims.

Budgetary provision has been made for known liabilities including, where necessary, additional resources as part of the budget pressures set out in this report. Outstanding issues continue to be actively managed. There remains on-going litigation, nationally, on single status, and so there may be unquantifiable risks to the Council. As any legal implications become clearer, financial plans will need to be developed should the need arise.

- Government Formula Grant resources may be reduced

Notwithstanding the General Election this year, it is clear from announcements made by all political parties that there is likely to be a significant constraint on the public finances as the next Government makes arrangements for addressing the level of debt and the state of the economy. Most Government resources for 2010/11 have already been announced, as this is the final year of the three year "settlement", although the short-term impact of decisions which will be taken by the next national Government cannot be anticipated at this stage. However the outlook is more pessimistic thereafter. Nevertheless, the Council has modelled a number of scenarios, drawing on information from a variety of external sources. Projections vary significantly from those based on information available a year ago, and these are set out in Appendices B and C. Planning has already started for the period beginning in April 2011, with further information on the approach which the Council will be adopting set out in the Long-Term Financial Strategy in Chapter 3, and the Capital Strategy in Chapter 7. It is likely that capital resources may be more severely constrained than revenue grants, and this likelihood has been factored into the figures set out in Chapter 6.

- Other Government grant resources may be reduced

In many instances, for example Area-Based Grant, figures for 2011/12 and beyond are not known. Services keep knowledge of grants receivable up-to-date, and proactive management action is taken to maximise external income

and to respond to changes including, where appropriate, to ensure that expenditure is not incurred until funding sources have been secured. Known changes have been reflected in portfolio/committee budgets. Be Birmingham makes it a condition of ABG funding that exit strategies are developed to manage the fall-out of time-limited grants. The Government is currently consulting on changes to the Housing Subsidy system, which may impact on the Housing Revenue Account. The Council is active in making representations to seek to ensure that Birmingham's tenants are not disadvantaged by any changes when they are announced, and is keeping closely in touch with developments. Any changes are not expected to have an impact in 2010/11.

- Other capital resources (eg. capital receipts) will be reduced because of the effects of the recession

The likely availability of all capital resources has been reviewed, but a key focus has been on the expected level of capital receipts. These have been reviewed in some detail, and new and prudent assumptions have been made about the timing and amount of asset disposals. A medium-term, rather than short-term view of resources is taken, looking forward to improving market conditions, enabling a marketing strategy to be adopted which optimises the Council's resource position. In some cases, expenditure is conditional upon receipts being generated in any case; these will be kept under regular review.

- The capital programme cannot be delivered within approved resources

Improvements have been made to project management arrangements, and projects are subject to a rigorous assessment process, including an analysis of risks and affordability, before expenditure can be incurred. In any case, the prevailing general economic climate is likely, if anything, to result in a downward pressure on project costs. The capital programme is subject to regular monitoring, the arrangements for which have been enhanced in the last year. Although there is a limited amount of over-programming, this is felt to be at a prudent level in view of the management arrangements that are in place and the likelihood of some slippage in expenditure due to unexpected factors.

- Treasury management risks: interest rates, security, liquidity

These risks are actively managed, with arrangements set out elsewhere in this report on the Treasury Management Strategy (Chapter 9) and the Treasury Management Policy (Appendix M).

- The Council's borrowing becomes unaffordable

The costs of the Council's debt portfolio, including the impact of the approved capital programme, have been fully evaluated and are affordable.

Relevant details have been incorporated throughout this report. Capital expenditure facilitates investment in new assets to improve services for Birmingham people, sometimes on an “invest-to-save” basis, and is the subject of rigorous assessment prior to expenditure being incurred. Details of the management arrangements for the Council’s debt portfolio are set out in the treasury management strategy (Chapter 9), although it should be noted that the vast majority of the Council’s debt has been borrowed at fixed rates, with a staggered maturity profile.

- 3.2 More detailed and service-specific risks are summarised in Appendix N, and will be the subject of local management action as part of general risk management.

4. Reserves & Balances and General Contingencies

- 4.1 The Council achieved a targeted level of general balances of £15.4m by 31 March 2009. These balances are at a relatively low level with regard to the scale and complexity of its business, but the strategy for general balances in the medium-term is to make planned contributions of £1.5m per annum. The strategy is, therefore, to increase general balances to £22.9m by 31 March 2014 provided there is no need for emergency funding in the meantime.
- 4.2 The following reserves and balances are expected to be available on 1 April 2010:

Table 10.1 - Reserves available to the Council

	01/4/10 Estimate £m
General unallocated balances	16.9
Portfolio and Committee Carry Forward Balances	(4.6)
Earmarked Reserves (excl Schools)	33.8
Total	46.1

- 4.3 In addition school balances at 31 March 2009 stood at £66.4m.
- 4.4 It must be recognised that the budget for 2010/11 is being set in a period of national economic uncertainty, which may potentially have significant, but as yet unidentifiable, negative effects on the City Council and its financial position. This gives rise to a more uncertain context in which to determine the appropriate level of reserves and balances for the Council. Nevertheless given the level of earmarked reserves, the continued progress in building additional balances in the medium term, the rigorous arrangements for the prompt and regular monitoring of budgets, and the risk management measures set out above in section 3 and Appendix N (which are set in the context of the City Council’s overall approach to risk management), **the formal view of the Corporate Director of Resources, in accordance with Section 25 (i) (b) of the Local Government Act 2003, is that the level of reserves and balances is adequate, but that this needs to be kept under periodic review.**

- 4.5 The revenue budget includes a policy contingency of £9.614m in 2010/11. This includes specific provision for known items, together with a general allocation of £3.119m. Further details are set out in Chapter 4.
- 4.6 The Capital Programme includes a corporate contingency of £12.9m, as set out in Appendix K.

5. Assessment of Budget Estimates

- 5.1 Forecasts of available resources have been updated and, where necessary, revised. Base budget reviews by services have resulted in the identification of a range of budget pressures, which have been addressed. Action plans have been developed by services to implement the required efficiency savings, and delivery will be closely monitored. An acceptable level of over-programming has been included in the financing of the capital programme, based on the experience of previous years. Management arrangements are in place to mitigate any residual risks. There are some contingencies and reserves/balances which could be made available if necessary.
- 5.2 On the basis of these factors, and taking into account the comprehensive financial planning process (involving Cabinet Members and Committee Chairmen, service managers and finance staff across all directorates), **the Corporate Director of Resources (as s151 Officer) is satisfied that the budget proposals are based on robust estimates.**

Area Based Grant Allocations

2010/11
£000

Directorates	
Adults and Communities	19,419
Chief Executive	3,204
Children, Young People and Families	35,858
Environment & Culture	126
Housing and Constituencies	52,482
Unallocated	233
Total Directorates	111,322
Thematic Partnerships (WNF)	
Worklessness	19,000
Health & Wellbeing	1,000
Children & Young People	1,000
Housing	1,000
Safer Birmingham	1,000
Birmingham Environmental Partnership	1,000
Culture	1,000
Neighbourhoods Board	2,100
Total Thematic Partnerships	27,100
Constituencies (WNF)	
Community Chest	2,000
Ward Support Officers	700
Environmental Wardens	850
Total Constituencies	3,550
Be Birmingham (WNF)	
Social Capital / Enterprise Investment Fund	2,000
Community Engagement	750
Partnership Support Costs	2,200
Total Be Birmingham	4,950
Additional Allocations (WNF)	
Debt & Financial Inclusion	80
Response to Economic Downturn	1,273
Green New Deal	936
Total Additional Allocations	2,289
Unallocated (WNF)	3,258
Total Area Based Grant	152,469

Formula Grant Scenarios

Scenario 1 - Original

Scenario 1 was developed before the economic downturn and used in the 2009/10 LTFF. This assumed an increase in formula grant of 2.3% in 2011/12 and 2.7% in all future years in line with average historic increases.

Scenario 2 – 0% Change

Analysis of the public sector and the economy made it clear that the annual, above inflation, increases in formula grant that local authorities have received during the previous ten years would no longer be sustainable. Therefore Scenario 2 was developed to plan for there being no change to formula grant levels over the next ten years.

Scenario 3 – CIPFA/SOLACE

Following the 2009 Pre-Budget Report (PBR), CIPFA and SOLACE produced a joint report entitled "After the Downturn". This included a scenario that saw a gradual real terms reduction in public sector spending of 2.5% per annum over six years, totalling a 15% real terms reduction. The report estimated that national decisions would lead to real terms changes to funding of 0% to -5% per annum. As local authorities are less likely to be a protected service than schools or the NHS, it was assumed that real terms formula grant funding to local authorities would reduce by 5% per annum over this six year period. After this six year period it is assumed there will be no real terms increase in funding.

Scenario 4 – IFS

Following the 2009 PBR the IFS carried out analysis that concluded that average real terms reductions in public expenditure of 6.4% per annum would be required between 2011/12 and 2013/14. Further real terms cuts in expenditure are assumed for the three years after this to bring public sector spending almost in line with 1997 levels. The following assumptions are made to reach these conclusions:

- Total public sector spending plans will be in line with 2009 PBR spending plans – NHS, Education and Official Development Assistance spending will be protected i.e. no real terms cuts or increased in real terms for 3 years (2009 PBR says 2 years).
- After these three commitments are made, reductions in expenditure are imposed equally across all Government departments.
- This results in an average 6.4% per annum real terms annual reduction in expenditure in 2011/12 – 2013/14 across all other Government departments.
- Public sector spending continues to fall in real terms by 2% per annum 2014/15 – 2016/17. This will bring public sector spending (roughly) in line with 1997 levels (NB: It should be noted that the IFS financial modelling recognises that beyond 2015/16 there is the potential for further impacts on the public financial position. This could affect the level of resources for the City Council but it cannot be quantified at this time.)
- no real terms cuts or increases in resources 2017/18 – 2019/20.

Scenarios 3 and 4 consider real terms changes to funding. The 2009 PBR (Table B1) includes an estimate of CPI over the medium-term. Therefore CPI is assumed to run at 1.5% in 2011/12, 1.75% in 2012/13 and 2% thereafter. The impact of these CPI assumptions is factored in to produce a nominal change in overall public resources.

Year	Scenario 3			Scenario 4		
	Real Change	CPI	Cash Change	Real Change	CPI	Cash Change
2011/12	-5.0%	1.50%	-3.58%	-6.4%	1.50%	-5.00%
2012/13	-5.0%	1.75%	-3.34%	-6.4%	1.75%	-4.76%
2013/14	-5.0%	2.00%	-3.10%	-6.4%	2.00%	-4.53%
2014/15 – 2016/17	-5.0%	2.00%	-3.10%	-2.0%	2.00%	-0.04%
2017/18 – 2019/20	0.0%	2.00%	2.00%	0.0%	2.00%	2.00%

The implications for the City Council have been calculated based on the national figures above.

The resulting annual percentage changes in BCC's forecast of formula grant for each scenario are shown below.

Scenario	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
(1) Original	2.7%	2.3%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
(2) 0% Change	2.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(3) CIPFA/SOLACE	2.7%	-3.8%	-3.1%	-3.0%	-2.4%	-2.8%	-3.1%	2.3%	2.5%	1.9%
(4) IFS	2.7%	-5.2%	-4.5%	-4.4%	1.5%	0.2%	0.0%	2.2%	2.3%	1.9%

The resulting forecast levels of formula grant that the Council will receive in each scenario are shown below

Scenario	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
(1) Original	678.0	693.7	712.7	732.2	752.2	772.8	793.9	815.6	837.9	860.7
(2) 0% Change	678.0	678.0	678.0	678.0	678.0	678.0	678.0	678.0	678.0	678.0
(3) CIPFA/SOLACE	678.0	652.0	631.7	613.0	598.1	581.1	563.2	576.4	590.7	601.9
(4) IFS	678.0	642.9	613.9	586.8	595.5	596.7	596.8	610.2	624.5	636.1

Long-Term Financial Plan 2010/11 to 2019/20

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Base Budget 2009/10	983.9	983.9	983.9	983.9	983.9	983.9	983.9	983.9	983.9	983.9
Pay & Price Inflation	(1.5)	24.6	37.4	61.8	86.4	111.6	136.4	161.8	189.8	219.2
Transfer out of Formula Grant	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Impact of Time Limited Prior Yr Decisions	(0.8)	(2.3)	(2.3)	(2.8)	(2.8)	(2.8)	(2.8)	(3.5)	(3.5)	(3.5)
Budget Pressures and Policy Choices	67.5	90.1	98.9	105.2	113.8	121.3	128.4	136.1	143.8	150.7
Efficiency Savings	(69.0)	(74.0)	(78.7)	(86.2)	(91.4)	(103.3)	(108.2)	(113.6)	(113.6)	(113.6)
Savings Proposals not yet Finalised	0.0	(11.8)	(14.9)	(13.5)	(15.2)	(9.8)	(11.5)	(12.8)	(19.5)	(26.1)
Business Transformation Savings not included above	0.0	(10.4)	(25.9)	(39.7)	(44.9)	(38.9)	(42.3)	(44.9)	(45.1)	(55.3)
Financing Costs	6.1	6.5	3.2	1.9	(2.1)	(4.1)	(6.7)	(9.3)	(11.2)	(11.7)
Fall Out of One-off Resources	5.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Fall Out of Use of Reserves in 2009/10	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4	18.4
Net Repayment to Reserves	3.0	8.1	6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	1,013.3	1,039.8	1,033.3	1,035.7	1,052.8	1,083.0	1,102.3	1,122.8	1,149.7	1,168.7
Scenario 1 Formula Grant	(678.0)	(693.7)	(712.7)	(732.2)	(752.2)	(772.8)	(793.9)	(815.6)	(837.9)	(860.7)
Council Tax (assumed 1.9% pa increase)	(332.7)	(339.0)	(347.9)	(356.9)	(366.3)	(375.8)	(386.0)	(396.1)	(406.6)	(417.3)
(Surplus) / deficit on Collection Fund	(2.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Scenario 1 Total Resources	(1,013.3)	(1,032.7)	(1,060.6)	(1,089.1)	(1,118.5)	(1,148.6)	(1,179.9)	(1,211.7)	(1,244.5)	(1,278.0)
Scenario 1 Gap/(Surplus)	0.0	7.1	(27.3)	(53.4)	(65.7)	(65.6)	(77.6)	(88.9)	(94.8)	(109.3)
Scenario 2 Change in Total Resources from Scenario 1	0.0	15.7	34.7	54.2	74.2	94.8	115.9	137.6	159.9	182.7
Scenario 2 Gap/(Surplus)	0.0	22.8	7.4	0.8	8.5	29.2	38.3	48.7	65.1	73.4
Scenario 3 Change in Total Resources from Scenario 2	0.0	26.0	46.3	65.0	79.9	96.9	114.8	101.6	87.3	76.1
Scenario 3 Gap/(Surplus)	0.0	48.8	53.7	65.8	88.4	126.1	153.1	150.3	152.4	149.5
Scenario 4 Change in Total Resources from Scenario 3	0.0	9.1	17.8	26.2	2.6	(15.6)	(33.6)	(33.8)	(33.8)	(34.2)
Scenario 4 Gap/(Surplus)	0.0	57.9	71.5	92.0	91.0	110.5	119.5	116.5	118.6	115.3

Revenue Budget - Gross Expenditure

	2009/10 Budget £'000	2010/11 Budget £'000
Portfolios		
Leader's	174,006	114,711
Deputy Leader's	520,076	653,641
Adults & Communities	366,436	380,151
Children, Young People and Families	1,404,257	1,525,044
Equalities & Human Resources	17,436	14,954
Housing General Fund	106,069	44,058
Housing Revenue Account	221,327	218,176
Leisure, Sport & Culture	69,655	67,764
Local Services & Community Safety	112,558	166,109
Regeneration	71,256	65,759
Transportation & Street Services	159,653	157,325
Committees		
Constituencies		
Edgbaston	8,905	9,141
Erdington	11,792	11,894
Hall Green	11,185	10,315
Hodge Hill	8,545	8,565
Ladywood	16,968	16,447
Northfield	10,648	10,676
Perry Barr	11,775	11,663
Selly Oak	12,761	12,750
Sutton Coldfield	13,224	13,248
Yardley	13,085	12,466
Citywide Constituencies	(687)	1,852
Council Business Management	10,123	10,232
Licensing	2,922	2,875
Planning	11,603	9,796
Public Protection	17,908	17,799
Total Portfolio/Committee Expenditure	3,383,486	3,567,411
Capital accounting & financing costs	(15,348)	(19,569)
Contingencies	12,154	9,614
Contribution to Reserves	0	3,002
Total Expenditure on Services	3,380,292	3,560,458
Contribution to General Balances	1,500	1,500
Total Gross Expenditure	3,381,792	3,561,958

Revenue Budget - Gross Income

	2009/10 Budget £'000	2010/11 Budget £'000
Portfolios		
Leader's	(121,484)	(51,981)
Deputy Leader's	(445,715)	(581,409)
Adults & Communities	(77,523)	(85,934)
Children, Young People and Families	(1,124,221)	(1,248,251)
Equalities & Human Resources	(11,512)	(9,350)
Housing General Fund	(91,406)	(34,430)
Housing Revenue Account	(221,327)	(218,176)
Leisure, Sport & Culture	(17,262)	(15,276)
Local Services & Community Safety	(104,122)	(156,191)
Regeneration	(54,925)	(50,239)
Transportation & Street Services	(69,695)	(63,254)
Committees		
Constituencies		
Edgbaston	(875)	(885)
Erdington	(1,943)	(2,053)
Hall Green	(1,343)	(943)
Hodge Hill	(478)	(493)
Ladywood	(1,833)	(1,731)
Northfield	(1,264)	(1,287)
Perry Barr	(1,707)	(1,881)
Selly Oak	(2,773)	(3,232)
Sutton Coldfield	(3,093)	(3,508)
Yardley	(2,828)	(2,693)
Citywide Constituencies	0	0
Council Business Management	(333)	(333)
Licensing	(2,709)	(2,671)
Planning	(8,046)	(6,558)
Public Protection	(4,185)	(4,870)
Total Portfolio/Committee Income	(2,372,602)	(2,547,629)
Temporary use of corporate reserves	(18,415)	0
Application of corporate resources	(6,827)	(1,000)
Total Gross Income	(2,397,844)	(2,548,629)

Revenue Budget - Net Expenditure

	2009/10 Budget £'000	2010/11 Budget £'000
Portfolios		
Leader's	52,522	62,730
Deputy Leader's	74,361	72,232
Adults & Communities	288,913	294,217
Children, Young People and Families	280,036	276,793
Equalities & Human Resources	5,924	5,604
Housing General Fund	14,663	9,628
Housing Revenue Account	0	0
Leisure, Sport & Culture	52,393	52,488
Local Services & Community Safety	8,436	9,918
Regeneration	16,331	15,520
Transportation & Street Services	89,958	94,071
Committees		
Constituencies		
Edgbaston	8,030	8,256
Erdington	9,849	9,841
Hall Green	9,842	9,372
Hodge Hill	8,067	8,072
Ladywood	15,135	14,716
Northfield	9,384	9,389
Perry Barr	10,068	9,782
Selly Oak	9,988	9,518
Sutton Coldfield	10,131	9,740
Yardley	10,257	9,773
Citywide Constituencies	(687)	1,852
Council Business Management	9,790	9,899
Licensing	213	204
Planning	3,557	3,238
Public Protection	13,723	12,929
Total Portfolio/Committee Net Spend	1,010,884	1,019,782
Capital accounting & financing costs	(15,348)	(19,569)
Contingencies	12,154	9,614
Temporary use of corporate reserves	(18,415)	3,002
Application of corporate resources	(6,827)	(1,000)
Total Net Expenditure on Services	982,448	1,011,829
Contribution to General Balances	1,500	1,500
	983,948	1,013,329

Portfolio / Committee	2009/10 Budget	Pay and Price Inflation	Budget Pressures & Policy Choices	Savings	Impact of Time Limited Decisions	Asset Charges	Transfers to/from Policy Conting'y	Other	Base Budget 2010/11	Movement in Base Budgets
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Leader's	52,522	568	6,163	(3,755)	(300)	3,410	30	4,092	62,730	Appendix E
Deputy Leader's	74,361	(280)	1,872	(2,775)	(100)	36	16	(898)	72,232	
Adults & Communities	288,913	(647)	27,519	(21,634)		2,215		(2,149)	294,217	
Children, Young People & Families	280,036	(116)	6,808	(12,796)	(1000)	3,976		(115)	276,793	
Equalities & Human Resources	5,924	(607)	807	(1,358)		69		769	5,604	
Housing General Fund	14,663	(184)	1,814	(2,179)		(4,475)		(11)	9,628	
Leisure, Sport & Culture	52,393	15	5,137	(5,437)		107	(20)	293	52,488	
Local Services & Comm Safety	8,436	(88)	138	(149)		(74)	908	747	9,918	
Regeneration	16,331	(169)	933	(1,260)		93		(408)	15,520	
Transport & Street Services	89,958	(509)	5,175	(6,917)	(100)	2,661	4,604	(801)	94,071	
Council Business Management	9,790	(137)	261	(374)				359	9,899	
Constituencies	100,064	(420)	6,292	(7,753)		926	1,250	(48)	100,311	
Licensing	213	11	289	(289)				(20)	204	
Planning	3,557	(31)	1,212	(1,363)				(137)	3,238	
Public Protection	13,723	46	619	(1,012)		(19)		(428)	12,929	
Portfolio / Committee Total	1,010,884	(2,548)	65,039	(69,051)	(1,500)	8,925	6,788	1,245	1,019,782	
Capital and Treasury Management	(15,348)					(8,925)		4,704	(19,569)	
Contingencies	12,154	966	2,500		736		(6,788)	46	9,614	
Total Cost of Services	1,007,690	(1,582)	67,539	(69,051)	(764)	0	0	5,995	1,009,827	
Use of/Repayment to Reserves	(18,415)							21,417	3,002	
Fall Out of One-off Resources	(6,827)							5,827	(1,000)	
Contribution to General Balances	1,500								1,500	
City Council Budget Requirement	983,948	(1,582)	67,539	(69,051)	(764)	0	0	33,239	1,013,329	
								Grant Transfers (137)		
								Business Transformation (463)		
								Financing Costs 6,595		
								Movement in Reserves 27,244		
								Total Other 33,239		

Budget Pressures and Policy Priorities

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Leader				
Shared Services Centre - base budget issues due to: 1) Invoice volumes, Bank charges and Supplies and Services higher than anticipated 2) other pay and grading costs and costs of displaces 3) tighter controls	884	824	824	824
Revenues - Base budget pressures and costs of improving services	1,080	1,005	812	613
Corporate Finance - On-going Employee pressures and rental pressure on accommodation	380	260	260	260
Property Portfolio - rental shortfall in relation to Birmingham Science Park Aston.	570	570	570	570
Review of HRA recharges - General Fund effect	49	98	98	98
Projected NEC Shortfall	3,200	12,500	10,100	7,500
Total Leader	6,163	15,257	12,664	9,865
Deputy Leader				
Base budget pressure and Pay & Grading issues in Intelligent Client Function, Public Affairs & Communications, Birmingham City Laboratories, Corporate Procurement, Markets, Design & Print	781	781	781	781
Benefits Service - grant pressures	474	1,354	1,354	1,354
Income shortfall - Markets	300	300	300	300
Review of HRA recharges - General Fund effect	37	74	74	74
Registered Social Landlord adaptations - Housing Benefit impact	280	280	280	280
Total Deputy Leader	1,872	2,789	2,789	2,789

Budget Pressures and Policy Priorities

Appendix F
(continued)

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Adults and Communities				
Year on year demographic increase	6,849	13,315	19,410	25,653
2010/11 full year effect of Learning Disability backlog cases awaiting funding in 2009/10	850	850	850	850
Base budget pressures from 2009/10 - mainly Older Adults	10,388	10,388	10,388	10,388
Base budget pressures on Learning Disability Preserved Rights costs	9,200	9,200	9,200	9,200
Review of HRA recharges - General Fund effect	232	464	464	464
Total Adults and Communities	27,519	34,217	40,312	46,555
Children, Young People and Families				
Looked After Children - net impact of demographic growth and pressures in accommodation and provision, and current year improvement actions	1,108	1,108	1,108	1,108
Legal costs including Family Court fees	1,600	1,600	1,600	1,600
Home to School Transport - net of budget pressures in current year and expected future savings	400	400	400	400
Building Schools for the Future - growth in resources required to manage delivery of the programme (assumes £1.2m contribution from programme funding)	2,100	2,600	2,600	2,600
Family Support officers	200	200	200	200
2009/10 savings to be permanently embedded	1,400	1,400	1,400	1,400
Total Children, Young People and Families	6,808	7,308	7,308	7,308
Equalities and Human Resources				
Separation costs for displaced employees	233	0	0	0
Human Resources Employee base budget pressure	566	566	566	566
Review of HRA recharges - General Fund effect	8	16	16	16
Total Equalities and Human Resources	807	582	582	582

Budget Pressures and Policy Priorities

Appendix F (continued)

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Housing General Fund				
Statutory Homeless - Temporary Accommodation	800	800	800	800
Revenue costs not chargeable to capital due to regional government grant reductions	1,000	1,000	1,000	1,000
Review of HRA recharges - General Fund effect	14	28	28	28
Total Housing General Fund	1,814	1,828	1,828	1,828
Leisure, Sport and Culture				
Golf Income Shortfall	900	750	750	750
Tree Work under Health & Safety Legislation	800	0	0	0
Outstanding prior year efficiencies	1,821	1,409	1,409	1,409
Increased Grounds Maintenance Contract net costs and indexation	134	134	134	134
Library of Birmingham - capital financing charges	1,400	2,900	4,400	5,900
Running costs of City Park	0	0	300	300
Other minor pressures	82	70	70	70
Total Leisure, Sport and Culture	5,137	5,263	7,063	8,563
Local Services and Community Safety				
Income Maximisation Units - Base Budget pressure due to pay & grading	32	32	32	32
Review of HRA recharges - General Fund effect	106	212	212	212
Total Local Services and Community Safety	138	244	244	244

Budget Pressures and Policy Priorities

Appendix F (continued)

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Regeneration				
Reduced scope for capitalising project management costs	660	660	660	660
Birmingham Property Services - ongoing impact of pay and grading	230	230	230	230
Review of HRA recharges - General Fund effect	43	86	86	86
Total Regeneration	933	976	976	976
Transportation and Street Services				
Income Shortfall against budgets in Bereavement Services and Car Parking due to recession/demographic factors	2,400	2,400	2,400	2,400
Waste Disposal - contractual/demand factors	1,980	4,408	6,734	8,326
Pay & grading pressure	465	465	465	465
Highways Maintenance - return to committed level of expenditure/Local Transport Plan growth	1,250	2,500	3,750	5,000
Review of HRA recharges - General Fund effect	80	160	160	160
Total Transportation and Street Services	6,175	9,933	13,509	16,351
Council Business Management				
Members' base budget pressures	133	133	133	133
Committee Services - printing	25	25	25	25
Committee staffing - impact of pay & grading	100	100	100	100
Review of HRA recharges - General Fund effect	3	6	6	6
Total Council Business Management	261	264	264	264

Budget Pressures and Policy Priorities

Appendix F (continued)

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Constituencies				
General Efficiencies from 2009/10 net of Constituencies Investment Fund	500	500	500	500
Sports and Leisure Income/School Swim	1,163	1,163	1,163	1,163
Pay & Grading	2,516	2,516	2,516	2,516
Outstanding Prior Year Efficiencies	560	560	560	560
Recovery of Prior Year Overspends	1,553	1,553	1,453	0
Total Constituencies	6,292	6,292	6,192	4,739
Licensing				
Reduction in sex shop licence renewal fees and potential bad debt provision	138	138	138	138
Employee pressures - pay & grading	151	151	151	151
Total Licensing	289	289	289	289
Planning				
Reduced Planning Application Income.	1,200	1,200	1,200	1,200
Review of HRA recharges - General Fund effect	12	24	24	24
Total Planning	1,212	1,224	1,224	1,224
Public Protection				
Unfunded Legislative Requirements - Trading Standards, Coroners	174	174	174	174
Pay & grading issues - Registrars, Pest Control, Coroners	223	223	223	223
Lost/reduced income - Env. Health, Registrars	109	109	109	109
Proactive Pest Control across Birmingham.	100	100	100	100
Review of HRA recharges - General Fund effect	13	26	26	26
Total Public Protection	619	632	632	632
Increase in Corporate Policy Contingency	1,500	3,000	3,000	3,000
Total Pressures – General Fund	67,539	90,098	98,876	105,209

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Housing Revenue Account				
Increased Housing Subsidy Payments to the Exchequer	7,000	10,583	0	0
Additional Debt Financing	6,118	13,320	17,383	17,383
Additional debt effects reflected in subsidy	(3,820)	(3,820)	0	0
Pay and Grading/Pensions/Provision for Increments	3,200	3,200	3,200	3,200
Additional Rent/Service Charges/Provisions	(6,900)	(15,222)	(15,222)	(15,222)
Total Housing Revenue Account	5,598	8,061	5,361	5,361
Total Pressures including HRA	73,137	98,159	104,237	110,570

Efficiency Savings

Appendix G

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Leader				
Service reviews in Regional European & International Division, Policy, Emergency Planning	(84)	(84)	(84)	(84)
Reduction in the cost of external audit/inspection	(139)	(139)	(139)	(139)
Transformation of Shared Services Centre - (including e-payslips, system changes reduced invoice volumes, staffing review corporate post and scanning service and income maximisation.	(850)	(885)	(885)	(885)
Corporate Finance - Efficiencies on non-employee costs, reduce employee costs and maximise income	(488)	(368)	(368)	(368)
Additional rental income generated from the Commercial Property Portfolio and Birmingham Science Park Aston and use of reserves	(763)	(857)	(619)	(844)
Management Restructuring	(1,431)	(1,431)	(1,431)	(1,431)
Future years savings proposals not yet finalised	0	(905)	(905)	(905)
Total Leader	(3,755)	(4,669)	(4,431)	(4,656)

Efficiency Savings

Appendix G (continued)

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Deputy Leader				
Benefit Service - improvement in performance on subsidy incentive areas and additional grant from Government	(190)	(70)	(70)	(70)
Efficiencies in Policy & Delivery, Meals Direct, Customer Services, Civic Catering, Building Cleaning	(496)	(496)	(496)	(496)
Rationalise staffing in Corporate Procurement Service, Benefits Service, Public Buildings and Curatorial Services	(713)	(713)	(713)	(713)
Maximise income opportunities in Communications, Intelligent Client Function, Corporate procurement, Birmingham City Laboratories, Highbury, Daily markets	(533)	(533)	(533)	(533)
Marketing Birmingham - Grant support	(500)	(500)	(500)	(500)
Environment & Culture - Savings through delivery of Business Transformation Programmes	(223)	(223)	(223)	(223)
Storage use of Void units at Wholesale Market during redevelopment and parking prior to redevelopment	(120)	(120)	(120)	(120)
Future years savings proposals not yet finalised	0	(1,000)	(1,000)	(1,000)
Total Deputy Leader	(2,775)	(3,655)	(3,655)	(3,655)
Adults and Communities				
Closure of residential and day care establishments	(5,910)	(5,910)	(5,910)	(5,910)
Retained Directorate transformation savings	(3,000)	(1,535)	(6,362)	(12,483)
Directorate management restructuring	(5,164)	(10,144)	(10,144)	(10,144)
Fees & direct payments for Older Adults	(7,060)	(7,060)	(7,060)	(7,060)
Grants to the Third Sector	(500)	(500)	(500)	(500)
Future years savings proposals not yet finalised	0	(9,151)	(10,419)	(10,541)
Total Adults and Communities	(21,634)	(34,300)	(40,395)	(46,638)

Efficiency Savings

Appendix G
(continued)

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Children, Young People and Families				
Redesign of services to generate efficiencies, e.g. in Education Welfare, Commissioning, Integrated Services, or to reduce range of activity e.g. in School Effectiveness	(4,679)	(6,119)	(6,119)	(6,594)
Use grant to support core activities and priorities where appropriate, eg Dedicated Schools Grant, Area Based Grant, Positive Activities for Young people	(6,068)	(2,674)	(2,674)	(2,674)
Reduce grant funding and support to external partners, e.g. voluntary organisations and Health	(1,110)	(1,110)	(1,110)	(1,110)
Increase income to ensure non-statutory traded services become self-supporting	(939)	(1,878)	(1,878)	(1,878)
Future years savings proposals not yet finalised	0	(2,815)	(2,815)	(2,340)
Total Children, Young People and Families	(12,796)	(14,596)	(14,596)	(14,596)
Equalities and Human Resources				
Ongoing review of all Services within Human Resources	(1,158)	(1,158)	(1,158)	(1,158)
Savings from Equalities Restructure	(200)	(200)	(200)	(200)
Overachievement of savings: contribution to future savings requirements	0	233	233	233
Total Equalities and Human Resources	(1,358)	(1,125)	(1,125)	(1,125)
Housing General Fund				
Contribution from Area Based Grant - Supporting People	(379)	(379)	(379)	(379)
Private Sector Leasing Scheme - Homeless Accommodation	(600)	(800)	(800)	(800)
Reduction in employees due to Government grant reductions	(1,200)	(1,200)	(1,200)	(1,200)
Overachievement of savings: contribution to future savings requirements	0	200	200	200
Total Housing General Fund	(2,179)	(2,179)	(2,179)	(2,179)

Efficiency Savings

Appendix G (continued)

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Leisure, Sport and Culture				
Additional income generation in Museums, Libraries and Parks	(339)	(410)	(415)	(425)
Non-employee savings including supplies and services across Libraries, Sport, Parks, Museums and Arts	(1,792)	(842)	(742)	(1,115)
Business Transformation savings through Excellence in People Management and more efficient procurement	(600)	(650)	(705)	(705)
Organisational redesign/other efficiencies in Parks, Sports & Events, Museums, Libraries and Support Services	(2,607)	(4,119)	(4,119)	(4,119)
Other efficiencies	(99)	(158)	(158)	(158)
Overachievement of savings: contribution to future savings requirements	0	2,104	2,064	2,447
Total Leisure, Sport and Culture	(5,437)	(4,075)	(4,075)	(4,075)
Local Services and Community Safety				
Birmingham Property Services - Service redesign	(9)	(9)	(9)	(9)
Income Maximisation Units - Posts restructured and deleted.	(64)	(64)	(64)	(64)
Performance & Support Efficiencies	(17)	(17)	(17)	(17)
Community Safety Efficiencies	(52)	(52)	(52)	(52)
Other general efficiencies	(7)	(7)	(7)	(7)
Total Local Services and Community Safety	(149)	(149)	(149)	(149)

Efficiency Savings

Appendix G (continued)

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Regeneration				
Corporate Property Service: Service redesign	(360)	(360)	(360)	(360)
Productivity Savings.	(185)	(185)	(185)	(185)
Business Enterprise and Innovation Service Review .	(155)	(155)	(155)	(155)
Directorate Management Support Service review.	(100)	(100)	(100)	(100)
Review of management & operational arrangements due to relocation to Lancaster Circus.	(160)	(160)	(160)	(160)
Reduce Economic & Planning Strategy functions.	(120)	(120)	(120)	(120)
Re-organisation of Area Regeneration & City Centre Development Teams.	(180)	(180)	(180)	(180)
Total Regeneration	(1,260)	(1,260)	(1,260)	(1,260)
Transportation and Street Services				
Non-employee efficiencies in Travellers, City Centre Management, Emergency Response, Crematoria	(544)	(1,006)	(996)	(1,026)
Revised staffing and management arrangements	(265)	(315)	(315)	(315)
Additional income generation in Cemeteries & Crematoria, Trade & Domestic Waste, Vehicle Recovery, Car Parking, Highways	(1,795)	(2,031)	(2,242)	(2,428)
Further savings including the implementation of Business Transformation programmes	(1,338)	(1,338)	(1,338)	(1,338)
Fleet & Waste Management organisational redesign and other efficiencies	(2,975)	(3,825)	(3,825)	(3,825)
Future years savings proposals not yet finalised	0	(467)	(2,314)	(3,158)
Total Transportation and Street Services	(6,917)	(8,982)	(11,030)	(12,090)

Efficiency Savings

Appendix G (continued)

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Council Business Management				
Scrutiny Office support.	(25)	(25)	(25)	(25)
A review of service delivery across the Elections Service.	(35)	(35)	(35)	(35)
Two budget reviews by Members by end-June 2010: i) Members Services budgets (by PEP sub-group) ii) Lord Mayors Parlour budget (by former Lord Mayor's group)	(314)	(314)	(314)	(314)
Total Council Business Management	(374)	(374)	(374)	(374)
Constituencies				
Sport & Leisure - Rationalise staffing structures, review of Pay and Grading allowances, changes in service delivery, and a review of fees and charges	(3,218)	(3,218)	(3,218)	(3,218)
Libraries - Rationalise staffing structures, more efficient use of supply pool and efficiencies from materials purchasing policy	(957)	(957)	(957)	(957)
Neighbourhood Offices - Rationalise staffing structures, and review of security costs	(415)	(415)	(415)	(415)
Management and Support - Rationalise staffing structures combined with income maximisation	(609)	(609)	(609)	(609)
Other - Restructure of various services, income generation and maximising external funding resources.	(2,554)	(2,554)	(2,554)	(2,554)
Overachievement of savings: contribution to future savings requirements	0	0	100	1,553
Total Constituencies	(7,753)	(7,753)	(7,653)	(6,200)

Efficiency Savings

Appendix G (continued)

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Licensing				
Increase in Fees and Charges to meet the budget pressure	(100)	(100)	(100)	(100)
Potential Funding opportunities through Safer Birmingham Partnership	(189)	(189)	(189)	(189)
Total Licensing	(289)	(289)	(289)	(289)
Planning				
Productivity Savings	(59)	(59)	(59)	(59)
Review of management & operational arrangements due to relocation to Lancaster Circus.	(90)	(90)	(90)	(90)
Planning Management service review (Phase 1) – streamlining of administrative staff and review of planning staff in area teams.	(400)	(400)	(400)	(400)
Planning Management service review (Phase 2) – Disband Conservation Group	(350)	(350)	(350)	(350)
Planning Management service review (Phase 3) – disband Major Projects Team, reduce service development staff and administrative support.	(464)	(464)	(464)	(464)
Total Planning	(1,363)	(1,363)	(1,363)	(1,363)

Efficiency Savings

Appendix G (continued)

Detail	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Public Protection				
Systematic Business Transformation reviews for service efficiencies: 1) Full service redesign of Environmental Health and Trading Standards 2) Migrating services where there is synergy 3) Exploring potential for more shared services with other local authorities	(724)	(724)	(724)	(724)
Registrars - delivery of service more efficiently and income maximisation	(160)	(160)	(160)	(160)
Increase Fees and charges for Pest Control, Trading standards, Environmental Health, Surveying Services, Highways Regulatory Services	(128)	(128)	(128)	(128)
Total Public Protection	(1,012)	(1,012)	(1,012)	(1,012)
Total Savings – General Fund	(69,051)	(85,781)	(93,586)	(99,661)
Housing Revenue Account				
Repairs Contract Savings	(2,500)	(2,500)	(2,500)	(2,500)
Reduction in Superannuation Contributions	(598)	(1,196)	(1,196)	(1,196)
Reduction in Service Level Agreements - Legal, Human Resources, Birmingham Anti Social Behaviour Unit, Local Services	(1,400)	(1,400)	(1,400)	(1,400)
Additional Rents/Shops Income (lower sales and demolitions 2009/10)	(600)	(600)	(600)	(600)
Pay & Grading (Negotiate Compromise Agreement)	(500)	(500)	(500)	(500)
Future years savings proposals not yet finalised	0	(1,865)	835	835
Total Housing Revenue Account	(5,598)	(8,061)	(5,361)	(5,361)
Total Savings including HRA	(74,649)	(93,842)	(98,947)	(105,022)

2010/11 Precepts and Council Tax Levels

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

	City Council £m	Fire and Rescue Authority £m	Police Authority £m
Budget Requirement	1,013.329		
Less: Redistributed non-domestic rates and revenue support grant	(678.017)		
Equals: amount required from Collection Fund	335.312		
Less: estimated surplus in Collection Fund	(2.649)		
Equals: amount required from Council Tax payers	332.663	14.288	29.707
Divided by taxbase (Band D equivalent properties)	298,709	298,709	298,709
Equals: Band D Council Tax	£1,113.67	£47.83	£99.45
Total Band D Council Tax			£1,260.95
Percentage Increase in Council Tax	1.90%	1.99%	1.50%

The detailed council tax levels for each property band in Birmingham are:

Band	City Council	Fire and Rescue Authority	Police Authority	Total	New Frankley In Birmingham Parish	
					Parish Precept	Parish Total
	£	£	£	£	£	£
A	742.44	31.89	66.30	840.63	28.76	869.39
B	866.19	37.20	77.35	980.74	33.55	1,014.29
C	989.92	42.52	88.40	1,120.84	38.35	1,159.19
D	1,113.67	47.83	99.45	1,260.95	43.14	1,304.09
E	1,361.15	58.46	121.55	1,541.16	52.73	1,593.89
F	1,608.63	69.09	143.65	1,821.37	62.32	1,883.69
G	1,856.11	79.72	165.75	2,101.58	71.90	2,173.48
H	2,227.34	95.66	198.90	2,521.90	86.28	2,608.18

FINANCING THE CAPITAL PROGRAMME

Specific Resources	2010/11	2011/12	2012/13	Total
	£m	£m	onwards¹	£m
	£m	£m	£m	£m
Grants	126.0	126.4	159.0	411.4
Contributions	53.1	55.0	37.5	145.6
Portfolio Revenue Contributions	1.2	5.3	10.1	16.6
Total Specific Resources used	180.3	186.7	206.6	573.6
Corporate Resources				
Single Capital Pot ²	44.9	39.2	33.5	117.6
Capital Receipts	10.3	24.9	27.1	62.3
Earmarked Receipts	22.9	19.7	99.1	141.7
Prudential Borrowing ³	220.9	166.7	142.4	530.0
Revenue contributions	0.0	0.0	1.1	1.1
In-year overprogramming	26.6	(0.1)	(28.1)	(1.6)
Total Corporate Resources used	325.6	250.4	275.1	851.1
Total resources used	505.9	437.1	481.7	1,424.7
Opening resources shortfall	1.6	28.2	28.1	
In-year overprogramming	26.6	(0.1)	(28.1)	
Cumulative overprogramming	28.2	28.1	0.0	

Notes

1. The 2012/13 column includes programmed expenditure and resources which may relate to later years.
2. Assumed Single Capital Pot resources are allocated as shown overleaf.
3. Projects funded (in some cases in part) by prudential borrowing are summarised overleaf.

Analysis of Single Capital Pot Allocations

	2010/11 £m	2011/12 £m	2012/13 onwards £m	Total £m
Children YP & Families (Education)	14.2	12.5	10.4	37.1
Children YP & Families (Children Social Services)	0.3	0.3	0.2	0.8
Housing	12.4	12.4	12.4	37.2
Development (Transport)	9.7	7.0	5.0	21.7
Adults & Communities	0.3	0.3	0.3	0.9
Corporate Top Slice	8.0	6.7	5.2	19.9
	44.9	39.2	33.5	117.6
<u>of which :</u>				
Capital Grant	23.6	22.2	20.5	66.3
Supported Borrowing	21.3	17.0	13.0	51.3
	44.9	39.2	33.5	117.6

Analysis of Prudential Borrowing

	2010/11 £m	2011/12 £m	2012/13 onwards £m	Total £m
Major self financed prudential borrowing				
Warwickshire Cricket Club loan	10.0	5.0	0.0	15.0
Children's residential estate	0.1	1.1	5.3	6.5
Business transformation	94.0	37.0	64.1	195.1
VOIP telephones	1.5	0.0	0.0	1.5
Total self financed	105.6	43.1	69.4	218.1
Major Prudential borrowing supported from additional revenue budget allocations				
Swimming pool facilities	7.4	5.0	0.2	12.6
Eastside park	3.5	0.5	0.0	4.0
Decent Homes - kitchens	65.6	38.0	38.0	141.6
Library of Birmingham	29.1	73.6	32.6	135.3
Server refresh	1.4	1.4	1.8	4.6
Total funded from additional revenue budget	107.0	118.5	72.6	298.1
Prudential borrowing smaller projects	8.3	5.1	0.4	13.8
Total prudential borrowing	220.9	166.7	142.4	530.0
Total Government-supported	21.3	17.0	13.0	51.3
Total capital financed from borrowing	242.2	183.7	155.4	581.3

MINIMUM REVENUE PROVISION STATEMENT

1. The MRP Regulation requires authorities to make 'prudent provision' for debt repayment. The City Council believes that 'prudent' in this context does not mean the quickest possible repayment period, but has regard to the period over which the expenditure is expected to provide benefits, as stated in the Guidance.
2. The City Council also considers that 'prudent' MRP should have regard to financial stability and predictability, and avoid affordability problems due to unexpected changes. As expected by the Statutory Guidance, the Council will not therefore review the asset lives used for MRP after they have been fixed, irrespective 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.
3. The proposed policy for borrowing which is supported by Government revenue grants is to use the 'Regulatory method'.
4. The proposed policy for 'prudential borrowing' (which is not supported by Government grant), is to use the 'Asset Life method' following an annuity repayment calculation. This means that MRP will be calculated on an annuity basis (like many domestic mortgages) over the estimated life of the asset. This is subject to the following details:
 - 4.1 An average asset life for each project will be used. There will not be separate MRP schedules for the components of a building (eg plant, roof etc). Asset life will be determined by the Corporate Director of Resources. A standard schedule of asset lives will generally be used, but where borrowing on a project exceeds £10m, advice from by Urban Design will also be taken into account. The maximum asset life for MRP calculations will be 20 years, unless annual cyclical maintenance contributions support a longer life of up to 40 years.
 - 4.2 MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets where over £10m financed from borrowing is incurred, where MRP will be deferred until the asset becomes operational.
 - 4.3 Expenditure which does not create a fixed asset, but is statutorily capitalised, will follow the MRP treatment in the Government guidance, with the exception in 4.4 below.
 - 4.4 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. Nevertheless, the Council will make revenue provision for HRA prudential borrowing repayment at the following minimum levels:

	revenue resources £m	capital resources £m
2010/11	5.2	
2011/12	9.0	
2012/13	8.9	2.8
2013/14	12.4	7.8
2014/15	12.4	

And thereafter in accordance with the HRA Business Plan to be approved in 2010.

These levels are broadly based on the life of the assets financed from borrowing, or on the use of future capital receipts to repay borrowing for Decent Homes.

Regard is also had to the long term affordability of borrowing in the 30 year HRA Business Plan as reviewed from time to time.

Any further proposals for prudential borrowing by the HRA will approve additional repayment provision appropriate to the particular proposals and the HRA Business Plan in general.

- 4.5 MRP on loan advances to other organisations or individuals will not be required where cabinet agrees to apply the capital receipts arising from the loan repayments to repay borrowing, in such a way that the Council's 'Capital Financing Requirement' (or CFR) is reduced. However, revenue MRP contributions would still be required to the extent that due loan repayments are not receivable, or where the capital receipts applied are for whatever reason insufficient to repay the Council's borrowing over the originally estimated repayment period.
- 4.5 Shorter repayment periods (ie less than the asset life) may be used.
- 4.6 Other methods to provide for debt repayment may occasionally be used where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of the Corporate Director of Resources. Where capital resources are applied for debt redemption, it will be necessary to decide which assets the debt redemption relates to. The following principles will be applied by the Corporate Director of Resources in reaching a prudent decision:

- where the rationale for debt repayment is based on specific assets or programmes, the 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.
- 4.7 Other ways of determining prudent provision may be used where justified by the circumstances of the case, at the discretion of the Corporate Director of Resources. This applies to any financial year where the accounts have not been closed.

**CAPITAL EXPENDITURE PROGRAMME
2010/11 - 2012/13**

	2010/11	2011/12	2012/13	TOTAL
	£'000's	£'000's	onwards £'000's	£'000's
Leader's Portfolio				
Loan to Warwickshire CC	10,000	5,000	-	15,000
NEC capital works	5,169	-	-	5,169
	15,169	5,000	-	20,169

Deputy Leader's Portfolio

Office Accommodation Strategy	50	-	-	50
Council House & Extension Roof & Wall Repairs	1,168	-	-	1,168
Server Refresh & Thin Client	1,400	1,449	1,775	4,624
Voice Over IP	1,553	-	-	1,553
Business Transformation - Corporate	83,953	44,046	146,719	274,718
Business Transformation - Childrens	3,383	5,330	4,246	12,959
Business Transformation - Adult Services	9,085	1,091	-	10,176
Bull Ring Earmarked Receipt	420	-	-	420
Wholesale Market	1,800	-	-	1,800
	102,812	51,916	152,740	307,468

Adults & Communities

Programme of Minor Works	195	247	257	699
Replacement Vehicles	1,628	-	-	1,628
Mental Health	2,018	448	-	2,466
Older Adults Homes Compliance to Standards	544	443	444	1,431
Other Minor schemes	876	-	-	876
	5,261	1,138	701	7,100

	2010/11	2011/12	2012/13	TOTAL
	£'000's	£'000's	onwards £'000's	£'000's
Children, Young People and Families				
Devolved Capital Allocation to Schools	10,457	29,066	17,187	56,710
DCFS Modernisation	11,195	11,257	14,925	37,377
DCFS Modernisation – School Kitchens	1,136	-	-	1,136
Schools Access Initiative - DDA	1,587	1,587	1,587	4,761
Building Schools for the Future Resources Plan	500	-	-	500
Youth Capital Fund	679	-	-	679
Refurbishment of Residential Establishments	2,102	1,137	5,325	8,564
New Primary School - Yardley Green	6,500	-	-	6,500
Eastside Academy - Creative & Performing Arts	5,000	-	-	5,000
Primary Capital Programme	12,674	-	-	12,674
Early Years Extended Schools	2,736	-	-	2,736
Children's Centres – Phase 3	1,089	-	-	1,089
Children's Centres – Maintenance	485	-	-	485
Early Years Surestart Grant	13,943	-	-	13,943
Aiming Higher for Disabled Children	1,618	-	-	1,618
Woodview JI	250	-	-	250
School Based IT - Prudential Borrowing	400	400	400	1,200
Cookery in the Curriculum	1,058	-	-	1,058
Broadway Safe Haven - Aston Pride	1,900	-	-	1,900
	75,309	43,447	39,424	158,180
Equalities & Human Resources				
Access To Buildings	400	452	-	852
	400	452	-	852
Housing				
Council Housing				
Decent Homes Plus Improvements	52,524	57,350	59,850	169,724
Other Essential	19,798	14,898	12,398	47,094
Development (including MHT)	19,240	4,000	4,000	27,240
Other (incl Council House adaptations)	12,726	12,694	12,694	38,114
	104,288	88,942	88,942	282,172
Private Sector Housing				
Affordable Housing	503	150	100	753
Renewal & Growth	8,536	-	-	8,536
Decent Homes	4,827	4,827	4,827	14,481
Independent Living	6,000	6,000	6,000	18,000
Other	5,678	5,351	5,401	16,430
	25,544	16,328	16,328	58,200
	129,832	105,270	105,270	340,372

	2010/11	2011/12	2012/13	TOTAL
	£'000's	£'000's	onwards	£'000's
	£'000's	£'000's	£'000's	£'000's
Local Services & Community Safety				
Local Services - Environmental & Culture	19	-	-	19
	19	-	-	19
Leisure Sport & Culture				
MAC/SAMPAD- Development	596	-	-	596
Other Museums & Arts Schemes	-	-	-	-
The Library of Birmingham	39,809	96,389	48,070	184,268
Community Libraries Flexible Spaces	-	-	-	-
Other Libraries Schemes	2,391	-	-	2,391
Swimming Pool Facilities	8,880	5,000	200	14,080
Alexander Stadium 2012 Olympics Infrastructure	900	-	-	900
Other Sports Schemes	536	-	-	536
Parks Schemes	5,962	1,209	334	7,505
Health & Safety Works	63	-	-	63
Lozells Comm.Dev.Initiative.	850	-	-	850
Lozells Neighbourhood Investment Plan	1,200	-	-	1,200
Playbuilder Programme 09/10	620	-	-	620
Other Development & Play Schemes	620	-	-	620
Events Schemes	-	-	-	-
Constituency Fund	1,142	-	-	1,142
	63,569	102,598	48,604	214,771

	2010/11 £'000's	2011/12 £'000's	2012/13 onwards £'000's	TOTAL £'000's
Regeneration				
Vibrant Urban Villages:				
- Business Employment	258	-	-	258
- Irish Quarter-Bradford Street	856	-	-	856
- Sparkbrook Tornado A41/A34 Corridor	729	1,710	200	2,639
- Frankley Regeneration	500	626	-	1,126
- Northfield Environmental Improvements	149	20	-	169
- Other	1,905	1,544	212	3,661
City Centre Development (incl. Eastside):				
- Joint Venture	2,091	2,240	-	4,331
- Eastside Park	5,207	5,177	-	10,384
- Millennium Point Car Park	8,772	-	-	8,772
- Curzon St Station	408	-	-	408
- Birmingham City Plan Initiatives	3,537	2,310	-	5,847
- Eastside Infrastructure	440	-	-	440
- Other	4,839	126	22	4,987
Heritage Project & Jewellery Quarter	68	-	-	68
Conservation-Lozells & Soho Rd	860	-	-	860
Townscape Heritage Initiative				
Conservation-Other	284	-	-	284
City Property-Other	485	-	-	485
City Wide & Miscellaneous Disability Schemes	170	-	-	170
Energy Savings Programme	569	-	-	569
Economic Strategy-Prospectus Fund	700	-	-	700
	32,827	13,753	434	47,014

	2010/11 £'000's	2011/12 £'000's	2012/13 onwards £'000's	TOTAL £'000's
Transportation & Street Services				
Highways Major Schemes				
Northfield Relief Rd	170	-	-	170
Selly Oak New Road	12,211	4,420	864	17,495
Hagley Road Bus Showcase	1,600	-	-	1,600
Icknield Port Loop	2,277	-	-	2,277
Other Highways Minor Schemes				
Local Safety Schemes	1,020	900	750	2,670
Safer Routes to Schools	750	650	600	2,000
Improving Local Accessibility	1,000	800	500	2,300
Street Lighting Ward Programme	1,200	-	-	1,200
Highways LTP	6,350	4,650	781	11,781
Other Schemes	-	300	-	300
Non Highways Schemes				
Birmingham Gateway Project (New Street Station)	32,912	78,412	130,034	241,358
Environmental Schemes				
Cemeteries & Crematoria - Emissions	1,188	1,387	-	2,575
Perry Barr HRC	100	800	-	900
Waste Infrastructure	2,500	1,259	-	3,759
Park Rd Depot	575	-	-	575
Lifford Lane	996	-	-	996
Materials Recycling Facility	-	4,708	-	4,708
	64,849	98,286	133,529	296,664
Public Protection Ctte				
Mortuary fridges	470	-	-	470
	470	-	-	470
Unallocated Resources				
Contingency	9,392	2,500	1,000	12,892
Property fund	5,028	12,697	-	17,725
Property Development Fund	1,000	-	-	1,000
	15,420	15,197	1,000	31,617
Total Capital Programme	505,937	437,057	481,702	1,424,696

PRUDENTIAL INDICATORS

	10/11 Indicators	11/12 Indicators	12/13 Indicators
	£m	£m	£m
AFFORDABILITY			
Ratio of financing costs to net revenue stream:			
1 General Fund financing costs	215.0	223.5	225.5
2 General Fund net revenue stream	1,013.3	981.8	961.8
3 General Fund ratio	21.2%	22.8%	23.4%
4 HRA financing costs (including depreciation)	80.0	87.7	102.3
5 HRA net revenue stream	218.2	226.2	235.4
6 HRA Ratio	36.7%	38.8%	43.5%
Net revenue effect of capital programme changes: (impact already included in Council Tax increases assumed in LTFP)			
7 Expressed in terms of Council Tax (Band D equiv) - see note below	£3.72	£19.67	£31.48
8 Expressed in terms of Housing Rents (ave. weekly rent)	£1.30	£2.57	£3.75
CAPITAL EXPENDITURE			
Capital Expenditure			
9 General Fund	401.6	348.2	392.8
10 HRA	104.3	88.9	88.9
11 Total Capital Expenditure	505.9	437.1	481.7
Capital Financing Requirement (CFR)			
12 General Fund CFR	2,129.6	2,167.7	2,091.9
13 HRA CFR	729.2	758.2	784.5
14 Total Capital Financing Requirement	2,858.8	2,925.9	2,876.4
PRUDENCE			
Net borrowing and the capital financing requirement:			
15 forecast maximum net borrowing *	2,429.8	2,486.7	2,488.0
16 Capital Financing Requirement in year 3 (as above)	2,876.4	2,780.7	2,692.0
17 does forecast net borrowing exceed year 3 CFR?	No	No	No
EXTERNAL DEBT			
Authorised limit for external debt			
	Limit	Forecast Limit	Forecast Limit
18 Authorised limit for borrowing	2,837	2,944	3,034
19 + authorised limit for other long term liabilities	325	391	455
20 = authorised limit for debt	3,162	3,335	3,489
Operational boundary for external debt			
	Boundary	Forecast Boundary	Forecast Boundary
21 Operational boundary for gross borrowing	2,430	2,487	2,488
22 + Operational boundary for other long term liabilities	275	341	405
23 = Operational boundary for external debt	2,705	2,828	2,893

* In accordance with the Cipfa Prudential Code forecast maximum net borrowing is shown after being reduced for debt held for transferred functions.

PRUDENTIAL INDICATORS

TREASURY MANAGEMENT	10/11 Indicators	11/12 Indicators	12/13 Indicators
CIPFA Treasury Management Code			
24 Has the authority adopted the TM Code?	Yes	Yes	Yes
Interest rate exposures			
25 upper limit on fixed rate exposures	Limit 130%	Forecast Limit 130%	Forecast Limit 130%
26 upper limit on variable rate exposures	35%	35%	35%
Maturity structure of borrowing (lower limit and upper limit)			
27 under 12 months	0% to 30%	0% to 30%	0% to 30%
28 12 months to within 24 months	0% to 30%	0% to 30%	0% to 30%
29 24 months to within 5 years	0% to 30%	0% to 30%	0% to 30%
30 5 years to within 10years	0% to 40%	0% to 40%	0% to 40%
31 10 years to within 20years	5% to 55%	5% to 55%	5% to 55%
32 20 years to within 40years	10% to 60%	10% to 60%	10% to 60%
33 40 years and above	10% to 60%	10% to 60%	10% to 60%
investments longer than 364 days upper limit on amounts maturing in:			
	Limit £m	Forecast Limit £m	Forecast Limit £m
34 1-2 years	200	200	200
35 2-3 years	100	100	100
36 3-5 years	50	50	50
37 later	-	-	-

Prudential Indicators 2010/11 – Interpretation

CIPFA's prudential indicators for capital finance are intended to assist decision making within an Authority. They are not performance indicators or comparative statistics and there is no 'right' figure for particular indicators. Different Authorities will have different figures reflecting their particular history and circumstances.

The indicators are based on the approved budget and do not include the allowance for cashflows, borrowing in advance, and potential borrowing, contained in the prudential authorised limit.

Ratio of financing costs to net revenue stream (line 3)

The increase in the proportion of General Fund debt financing costs relative to the budget requirement of the City Council is a result of the Capital Expenditure Programme.

Effect on Council Tax (line 7)

This indicator represents the interest and repayment costs arising from programmed prudential borrowing, expressed as the impact on Band D Council Tax. The cost increases as successive years' borrowing is added. This impact has been accommodated within the Long-Term Financial Plan and assumed Council Tax increases up to 2012/13. The calculation excludes the cost of borrowing for business transformation and the Warwickshire Cricket Club loan, which are self financing, but otherwise takes no account of income or savings generated by the borrowing.

Effect on Housing Rents

This represents the interest and repayment costs arising from programmed prudential borrowing expressed as the impact on weekly rents.

The Capital Financing Requirement (CFR)

This represents the underlying level of borrowing needed to finance historic capital expenditure. It would be a cause for concern if net borrowing exceeded the CFR figure, but actual **net borrowing** is lower than this because of strong positive cashflow and balances.

Net Borrowing

This indicator is based on the forecast peak net debt in each year after adjusting for debt on transferred services.

The Authorised limit for debt

The City Council may not breach the limit it sets, so it is important that this allows prudent room for uncertain cashflow movements and potential borrowing in advance for future needs.

The 'Operational Boundary' for debt

This is a better benchmark to monitor actual debt levels against. It represents the forecast peak level of debt for the year although it is not itself a limit. It is increasing over the 3 years as a result of the City Council's spending plans.

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 Council's planning process, including the preparation of this report.

Affordability, eg Implications for Council Tax

Portfolios/committees are required to resource the running costs of most new schemes from within their own budgets. Revenue budgets have been identified to meet all planned borrowing costs.

Prudence and Sustainability, eg 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 strengthen its long-term financial planning through the Long Term Financial Plan to assess longer-term sustainability.

Value for Money, eg Option Appraisal

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

Stewardship of Assets, eg Asset Management Planning

The Asset Management planning process is reported in Chapter 7 of this budget report.

Service Objectives, eg Strategic Planning for the Authority

The capital programme has been prepared in the context of the Council Plan and the Council's other major planning processes. Long-term service planning for capital investment takes place through service and corporate capital strategy development, and through the capital resource allocation process.

Practicality, eg Achievement of the Forward Plan

Quarterly monitoring of progress in achieving the capital budget is reported to Cabinet and Portfolio holders. The Gateway process for capital also requires post-implementation review reports of capital schemes to assess whether stated objectives have been achieved.

TREASURY MANAGEMENT POLICY

1. Background

1.1 This Appendix sets out the City Council's policy framework for the conduct of its treasury management. In doing so it addresses the relevant requirements 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 (taking account of draft revisions recently subject to consultation).

This Policy adopts the above Codes and Guidance within the City Council.

2. The City Council's Treasury Management Objectives

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

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

2.2 The successful identification, monitoring and control of risk are the criteria by which the effectiveness of the City Council's treasury management activities will be measured. Accordingly, analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

2.3 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.²

Attitude to treasury management risks

2.4 More particularly, the City Council attaches a high priority to a stable and predictable revenue cost 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".

² Paragraphs 2.1 to 2.3 and 3.3 are required by the CIPFA Treasury Management Code

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 Council is exposed to include:

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

The Treasury Management Team has the 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:

- the refinancing of existing debt;
- borrowing in advance of need;
- Investing surplus cash in institutions with a high level of creditworthiness, rather than placing all deposits with the Government.

The Council's approach to the management of treasury risks is set out in the rest of this treasury management policy. The Corporate Director of Resources and the Director of Corporate Finance hold regular meetings with senior staff to monitor market conditions and review planned activities and performance.

3. Setting limits to manage treasury management risks

Interest rate exposures

- 3.1 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):

Prudential indicator - interest rate exposure

	% of borrowing (net of investments):		
	2010/11	2011/12	2012/13
upper limit on net fixed rate exposures	130%	130%	130%
upper limit on net variable rate exposures	35%	35%	35%

These percentages are limits within which the Council should remain. The currently planned variable rate exposure is set out in the Treasury Management Strategy.

Prudential indicator - maturity structure of fixed rate borrowing

		Forecast Year end 2009/10
	lower and upper limits:	
under 12 months	0% to 30% of gross borrowing	4.0%
12 to 24 months	0% to 30%	0.0%
24 months to 5 years	0% to 30%	5.9%
5 to 10 years	0% to 40%	10.3%
10 to 20 years	5% to 55%	10.6%
20 to 40 years	10% to 60%	38.4%
40 years and above	10% to 60%	30.8%

- 3.2 The City Council will have regard to forecast MRP (minimum revenue provision for debt repayment) in managing the maturity profile.

Policy for borrowing in advance of need

- 3.3 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 or to replace maturing loans.
- 3.4 The 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 Council takes a consolidated view of all its treasury risks, taking account of the investment risks which arise from decisions to borrow in advance. Such decisions need to weigh the risks of deferring borrowing until it is needed (by which time fixed interest rates may have risen), against the credit and other risks in reinvesting the cash proceeds until required. This will be a matter of treasury judgement at the time. The Council's policy is to borrow to meet its forecast net cash outflows. The Council does not borrow up to the level of the Capital Financing Requirement, unless this is supported by cash forecasts or a risk management decision to borrow in advance.

Investment Strategy for temporarily surplus cash

- 3.5 The City Council is also at risk when lending temporarily surplus cash. Government Investment Guidance recommends local authorities to distinguish between:
- 'specified investments' which mature within 12 months and have a 'high creditworthiness', and
 - 'non-specified investments' which are long term investments (ie maturing in 12 months or more), or which do not have such high creditworthiness.
- 3.6 Low investment risk is a key treasury objective (see 2.4 above), and the City Council will seek a balance between investment risk and return that prioritises security and liquidity over achieving a high return. The main criteria and processes which deliver this are set out in the following paragraphs.

Specified Investments

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

	Lending limit	FITCH individual and support rating	FITCH short term rating
Banks and Building Societies	£25m	A1, A2, A/B1	F1
Banks and Building Societies	£20m	A/B2, B1	F1
Banks and Building Societies	£15m	A3, B2, B3, B/C1	F1
Money Market Funds	£40m	AAmmf	
Local Authorities	£25m	N/A	N/A
UK Government	None	N/A	N/A

Banks and Building Societies are also subject to a minimum long-term rating of A

- 3.8 Money may be lent to the City Council's own banker, in accordance with the above lending limits, in order to manage the daily bank balances held with the bank. This may be the case if cash is received late in the day when other borrowers are not available. However, if the Council's banker does not meet the above criteria, money may only be lent overnight (or over the weekend).
- 3.9 Credit ratings are monitored on a real-time basis on information from the Council's Treasury Management advisers, and the Council's lending list is updated accordingly, when a rating changes. Other financial market information is taken into account, including the ratings of other rating agencies and commentary in the financial press. This includes analysis and review of country, sector and group exposures and Money Market Fund portfolios. The use of some counterparties may be restricted should conditions become uncertain.

Non-specified investments and limit

- 3.10 The Council will not invest more than £400m in non-specified investments, 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 100% of non-specified investments.
 2. Certificates of Deposit (CD) with a maturity of less than three years, subject to a long-term credit rating of not less than AA (in addition to the restrictions in 3.7 above). CDs shall not exceed 25% of long-term investments (ie those maturing in one year or more).
- 3.11 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

- 3.12 Temporarily 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 is appropriate to include some longer term (non-specified) investments within a balanced risk portfolio. The following limits will be applied:

Prudential Indicator - limits on investing principal sums for over 364 days:

1-2 years	£200m
2-3 years	£100m
3-5 years	£ 50m

- 3.13 In making investments in accordance with the criteria set out in 3.5-3.12 above, the Corporate Director of Resources 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.
- 3.14 The 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 creditworthiness and exposure limits have been agreed by the Corporate Director of Resources.

4. Reporting and Delegation

- 4.1 A Treasury Management Strategy report is presented as part of the annual budget to the Cabinet and the Council before the start of each financial year. Monitoring reports are presented quarterly to Cabinet, including an Annual Report after the year end, in accordance with the CIPFA Treasury Code.
- 4.2 The City Council has delegated responsibility for treasury management decisions to the Corporate Director of Resources as part of its Delegations to Officers. The Director or his deputy reports during the year to the Cabinet on the decisions taken under delegated treasury management powers.
- 4.3 The Corporate Director of Resources 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

5. Staff Training

- 5.1 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 Council's Performance and Development Review process, and in accordance with Treasury Management Practice 10.

FINANCIAL RISK REGISTER

	Risk	Likeli- hood	Impact	Management Control
1	Budget pressures (incl. impact of legislation, demography, recession etc.) exceed amount provided for in budget	M	M	Known pressures included within budget following a base budget review. All budgets monitored proactively right from the start of each financial year. Early management response where necessary. Some contingency provision included in budget.
2	Inflation increases and results in pressures on budgets	L	L	Inflationary pressures not expected to be large, and some prices may reduce. Specific and known issues have been addressed in setting budgets. Contingency sum in LTFFP from 2011/12. Cost of pay awards to be met by services.
3	Non-delivery of elements of the Efficiency Programme	S	M	Implementation of savings is subject to rigorous project management, governance arrangements and review and monitoring processes. Change programmes will be actively managed, with early consultation with key stakeholders
4	Severance costs will be incurred which can't be identified	H	L	Costs have been factored into services' savings proposals, and financing routes will be explored to spread costs over a number of years.
5	Overspendings in 2009/10 need to be carried forward	S	M	Continued action to manage budgets and contain overspendings. Need to recover overspendings included in savings plans where appropriate.
6	Further costs of Implementation of Single Status agreement	M	L-M	The programme is being managed and provision has been made for financial implications. Financial plans will be developed should additional legal implications become clearer.
7	Formula Grant less than assumed	L	M	Government has now confirmed the figures for 2010/11. Prudent estimates are being made of likely future amounts.

	Risk	Likeli- hood	Impact	Management Control
8	Changes in funding regimes or amounts for specific government grants	M	M	Services keep knowledge of grants receivable up-to-date, and proactive management action taken to maximise external income and to respond to changes. Commitments are aligned to funding confirmation. Known changes have been reflected in portfolio budgets. Exit plans required to plan for grant fall-out. Proposals for changes to Housing Subsidy system being kept under review.
9	Failure to secure capital receipts to fund investment plans	M	S	Receipts forecasts have been revised, and spending plans and alternative sources of funding modified accordingly. A medium-term, rather than short-term, view is taken of resource planning. Marketing of land takes account of market conditions, in order to optimise the income to the Council.
10	Capital programme not delivered within approved resources.	L	L	Robust project management controls and rigorous project assessment, incl. risks and affordability. Regular programme monitoring.
11	Adverse interest rate changes, risks to security of investments and liquidity	L	M	Risk management arrangements set out in Treasury Management Strategy and Policy. Prudent assumptions made based on external advice. Previous long-term borrowing at low fixed rates protection against these risks.
12	Borrowing becomes unaffordable	L	L	Debt financing costs included in LTFS, projects subject to rigorous assessment, most debt at fixed rates and with staggered maturity profile.
13	Inadequate reserves balances and contingencies	L	L	Resources have been re-assigned where appropriate to address pressures and policy priorities. Some contingency provisions. Reserves assessed as being at a reasonable level, and medium-term strategy to build general balances. The budgetary position will be closely monitored
14	Inadequate resource transfers from other public bodies as part of change in responsibilities	S	M	Working with partners to ensure appropriate funding arrangements.

	Risk	Likeli- hood	Impact	Management Control
15	Clawback of grant following audit work, incl. from City Council as Accountable Body	M	L-M	Careful management of projects in line with grant conditions, including requirement for business cases. Projects kept under close review, and corrective actions identified where necessary.
16	Changes to proper accounting practice with adverse impact.	L	L-M	Close contact established with national bodies, external advisors, and auditors.
17	Cost increases of contractual arrangements	L	L	The Council has strengthened its procurement and commissioning capability, and taken a strategic approach.
18	Changes in service demand or requirements due to changes in Government policy	L	L	Provision included in budget for specific known pressures. Active budgetary control to keep the financial position under control. Business Transformation programmes to modernise services to meet developing requirements. Policy developments kept under close review.
19	Increased costs of free personal care at home from 1.10.10 – uncertainties in levels of grant, demand, payment	H	L - M	Proposals to be reviewed once further information available, and action plans will be put in place.
20	Impact of actuarial valuation of Pension Fund	M	L - M	Impact of last re-valuation built into LTFS. Future changes not yet known, but assumptions made about continuing increases in contribution levels.