Financial Plan 2017+

February 2017

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CHAPTER 1 - FINANCIAL PLAN SUMMARY

Background

1.1 The City Council's Financial Plan continues to be set in the context of constrained resources available to fund the provision of services and investment in its assets. A significant factor is the ongoing impacts of grant funding as part of the Government's policy of reducing public expenditure in order to address the deficit in the public finances. Although there is expected to be some growth in locally retained resources, at the same time there continue to be inflationary pressures and the need to identify further resources in order to meet increasing service demands, particularly for social care services, which outstrip the increase in cash resources.

Revenue

1.2 The City Council has, once again, set out medium- and long-term financial plans. These show at least balanced financial plans for the first four years, although there are risks of further potential budget pressures becoming apparent in future.

1.3 Significant changes to the way the City Council receives its funding have taken place in 2017/18. After taking account of changes in grant funding, income from Business Rates and Council Tax, total corporate funding will increase by £11.3m (1.3%) in comparison with 2016/17 on a cash basis. (£2.6m increase in real terms).

1.4 At the same time, there is the need to increase funding for some services by £109.8m. This includes investing over £50m in adult social care to meet the costs of the increasing number of older people requiring care and also to remove the need to proceed with some of the savings previously planned. Further resources for child protection services (an extra £2.3m) and homelessness services (£3.0m) are also being provided.

1.5 In addition to this, inflationary costs are estimated to be £10.3m, there is a strategic use of reserves of £40.5m, a further net contribution/repayment to reserves of £8.4m and a reduction in corporately managed budgets of £10.8m.

1.6 Taking all of the above into account, it will be necessary for further savings of £70.9m to be made in order to balance the revenue budget in 2017/18; this figure grows to £171.4m by 2020/21. Savings at this level will mean that total savings of around £760m will have had to be made over the period from 2010/11 to 2020/21. It is anticipated that further savings are likely to be required beyond this timeframe, as the projected growth in spending pressures is expected to exceed the increase in available resources.

1.7 The strategic and one-off use of reserves of £40.5m in 2017/18 has enabled some short-term mitigation of the savings requirement, whilst sustainable long-term savings plans are implemented in order to provide on-going solutions over the medium term.

1.8 The Council has strengthened its implementation planning for the delivery of the savings programme, and has introduced more robust monitoring and governance arrangements. In addition, contingency plans are being progressed by taking forward the development of further savings initiatives and the pursuit of efficiency improvements, in order to create the potential for mitigations in the event of any delivery difficulties. A balance of £57.3m will also be retained in the Organisational Transition Reserve (OTR) to provide further risk contingency.

Council Tax

1.9 In order to maintain an appropriate level of income from Council Tax payers, and to mitigate the need to make savings as much as possible, a base Council Tax increase of 1.99% is proposed for 2017/18. In recognition of the particular pressures on adult social care the Government is enabling local authorities responsible for adult social care services to raise up to an additional 3% of Council Tax income. The Council, like many adult social care authorities, considers that the best way of addressing the cost pressures on these services is to use this ability to generate specific additional resources. Taken together this would take the amount for a Band D property to £1,264.76 for City Council services, an increase of £60.11 per year, or £1.16 per week.

Housing Revenue Account (HRA)

1.10 Proposals have been developed for a budget in 2017/18, with a rent decrease of 1% in line with the National Rent Policy.

1.11 In addition to revenue expenditure on day-to-day repairs and maintenance, the Council will be investing in a Council Housing Capital Programme of £359.0m over the three years 2017/18 – 2019/20, including £175.5m investment in new homes and regeneration.

Capital

1.12 Capital investment is also constrained by reductions in Government grant funding. However, some grants continue to be made available, particularly those earmarked for specific projects/programmes. Taken together with a prudent level of new borrowing, a capital programme of £918.9m is proposed over the three years from 2017/18 onwards.

Treasury Management

1.13 Total outstanding debt in 2017/18 includes an allowance for a three-year advance payment of pension fund contributions. Debt outstanding therefore falls in the following two years as the effect of this is removed. Of the projected gross debt (including Private Finance Initiatives - PFI) of £3.929bn at the end of this period, £1.084bn will relate to the HRA and £2.845bn to the General Fund.

1.14 The Council will continue to take a balanced approach to meet its borrowing needs, with a combination of short- and long-term borrowing. This will include the exploration of opportunities for bond finance as well as more traditional forms of borrowing.

1.15 The investment, on a short-term basis, of any available cash balances will be in accordance with the Treasury Management Policy, with a low risk to sums invested being prioritised over achieving a high return.

CHAPTER 2: REVENUE RESOURCES

1. Financial Challenge

1.1 This chapter details the General Fund revenue resources expected for the period 2017/18 to 2020/21.

1.2 The City Council continues to face a significant challenge over the coming years. Although there are expected to be small increases in the next few years, in the ten years to 2020/21, it is forecast that total corporate funding will have reduced by £324m per annum.

1.3 In August 2016 the City Council indicated to the Government that it wished to accept the offer and certainty of a minimum four year finance settlement from 2016/17 – 2019/20. The Government confirmed in November 2016 that the City Council was eligible for the minimum offer. The additional certainty of the minimum level of Government resources provided for the next three years to 2019/20 is reflected within the following resource forecasts.

1.4 The City Council expects to receive total General Fund grant and external income resources of £2,692.1m in 2017/18. The resources can be analysed into the categories shown in Table 2.1.

Table 2.1 General Fund Grant & External Income Resources					
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Core Grants (RSG)	226.587	0.000	0.000	0.000	0.000
Core Grants (Top Up)	127.067	123.463	82.196	48.434	49.920
Corporate Grants	31.575	56.352	72.086	93.865	94.514
Sub Total Corporate Grant Funding	**385.229**	**179.815**	**154.282**	**142.299**	**144.434**
Business Rates*	187.884	384.743	408.420	423.937	433.829
Council Tax*	293.743	313.597	324.588	331.709	338.986
Sub Total Corporate Funding	**866.856**	**878.155**	**887.290**	**897.945**	**917.249**
Directorate Grants	275.621	259.571	246.619	246.619	246.619
Schools Funding[1]	781.610	712.713	712.713	712.713	712.713
Grants to reimburse expenditure (esp.Benefits)[2]	550.537	550.887	550.887	550.887	550.887
External Income[3]	289.059	290.797	300.568	306.948	313.054
Total General Fund Grant & External Income	**2,763.683**	**2,692.123**	**2,698.077**	**2,715.112**	**2,740.522**
Annual % Change in Corporate Funding		**1.3%**	**1.0%**	**1.2%**	**2.1%**
Annual % Change Core Spending Power		**-2.4%**	**1.0%**	**1.9%**	**N/A**

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

1. Schools' funding has been assumed to remain unchanged in future years. No adjustments for schools transferring to academies or changes in funding formula have been made as there is too much uncertainty at present. However, schools will be required to contain spend within the resources available.

2. Grants to reimburse expenditure particularly Benefits - we have not sought to forecast future demand in this area.

3. External Income has been forecast based on information in the Savings Programme and the Office for Budget Responsibility's (November 2016) CPI forecast for future years.

* Business Rates and Council Tax figures are shown net of surplus/deficit.

1.5 The Government's definition of Core Spending Power (CSP) is similar to Corporate Funding (albeit with slight differences). The annual changes in these statistics are shown in Table 2.1 above.

2. Business Rates

100% Business Rates Retention Pilot

2.1 The Government announced in the Spending Review in November 2015 that, by the end of Parliament, local government will retain 100% of Business Rates income, to fund local services. The main local government grant, Revenue Support Grant (RSG), will be phased out and there will also be additional responsibilities, and therefore costs, associated with this transfer which local authorities will have to incur, in order for it to be fiscally neutral to the Government.

2.2 Areas where a Devolution Deal has been agreed have been given the opportunity to be involved in a 100% Business Rates Retention Pilot, which will begin from 1 April 2017. This provides the opportunity to shape national thinking about the eventual scheme, and to take forward further devolution. The West Midlands Metropolitan local authorities have agreed to participate in a Pilot. It is anticipated that the Pilot will continue until the introduction of 100% Business Rates retention nationally.

2.3 The West Midlands Pilot agreement is the simplest form of Pilot, substituting general government funding (RSG and some Top Up Grant) with locally retained Business Rates. At some future stage, should all of the West Midlands Authorities wish to expand the Pilot to take on new functions or trial additional concepts as forerunners to the new national scheme, the Government has indicated that it is open to having these discussions.

2.4 The Government has confirmed that Pilots will operate on a "no financial detriment" principle. In other words, authorities cannot be worse off financially than they would otherwise have been had they not participated in a Pilot. Following detailed scrutiny of the way in which a Pilot will operate, it has been identified that a windfall benefit is available to authorities as a result of being part of a Pilot which is reflected in this Financial Plan. The City Council has estimated the net value of the windfall to the Council to be £10.0m in 2017/18.

2.5 The Government's "no financial detriment" principle operates on a Pilot (i.e. West Midlands wide) basis. The West Midlands' Metropolitan Authorities have also reached a local no detriment agreement ensuring that no individual authority will be financially worse off due to participating in the Pilot. If an individual authority finds itself in this situation, then those West Midlands' authorities that receive a windfall will collectively use this to make good any local financial detriment as a result of the Pilot. The Council has made provision from part of its expected windfall for such a circumstance.

2.6 The West Midlands Devolution Deal includes the West Midlands Combined Authority (WMCA) receiving the real terms growth in the central share of Business Rates, from April 2016 onwards. Under the current Pilot agreement the City Council must pay the WMCA the equivalent payment from its retained Business Rates. Business Rates income is shown net of the Council's estimated contribution to the WMCA.

2.7 The Government is currently working to finalise the national 100% Business Rates Retention Scheme. The City Council is actively involved in working with the Government to aid in its development. Due to the uncertainty around the final detail of the future scheme, the resource forecasts from 2020/21 onwards are based on the current arrangements.

Business Rates Income

2.8 Under the Business Rates Retention Pilot the City Council is able to retain 99% of all Business Rates generated locally excluding growth within the Enterprise Zone (EZ), subject to paragraph 2.6. The remaining 1% is paid to the West Midlands Fire and Rescue Authority.

2.9 However, the City Council does not have any control over the Business Rates multiplier that will be used to calculate individual Business Rates bills. The Government continues to be responsible for setting the rate and national policies on discounts.

2.10 If Government policy announcements have an impact on the level of Business Rates that will be received by the City Council, these are compensated for through additional Government Grants allocated to the authority (see paragraphs 4.7 – 4.12).

2.11 The City Council estimates that total income received from Business Rates will be £399.3m, and after contributing growth relating to the Devo Deal to the WMCA, will be £394.7m in 2017/18 (see Table 2.3). The Business Rates income to be used for setting the 2017/18 budget was agreed by Cabinet at its meeting on 24 January 2017. This income is now fixed for the purposes of 2017/18 budget setting. The forecast levels of Business Rate income for 2017/18 to 2026/27 can be seen in the Long-Term Financial Plan (LTFP) in Appendix 1.

2.12 In future years, the City Council has assumed that Business Rates income will have an underlying increase of:

Table 2.2 Assumed Percentage Increase in Business Rates								
18/19	**19/20**	**20/21**	**21/22**	**22/23**	**23/24**	**24/25**	**25/26**	**26/27**
3.7%	4.0%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

2.13 These future years' changes reflect an assumed increase of 0.5% real terms growth and an increase in the Business Rates multiplier, in line with the Retail Price Index (RPI) forecast from the Office for Budget Responsibility (OBR) for the previous financial year. From 2020/21 the Government has announced that Business Rates income will increase in line with the Consumer Price Index (CPI) rather than RPI and the Financial Plan reflects this. As part of the Devolution Deal and Pilot agreement referred to above, the WMCA is entitled to half of the real terms growth generated in the city. The LTFP (Appendix 1) shows the future change in assumptions of the City Council's share of the Business Rates income within the city.

Enterprise Zone

2.14 Business Rates income above the previously determined baseline within the EZ is 100% retained by the City Council to pass to Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP). These Business Rates are not available to support the City Council's budget, but are used to support redevelopment within the EZ.

2.15 Growth in Business Rates income within the EZ will be fully retained for the period up to 2046. The intention is to provide a higher degree of certainty around future levels of income available towards investment and regeneration in this zone.

2.16 In 2017/18, it is anticipated that the EZ will retain £1.5m of Business Rates income and £0.9m for reliefs awarded. The relevant share of the Collection Fund deficit carried forward from 2016/17 is £2.1m (including the planned spread of backdated appeals). In addition, the EZ will receive £0.5m of Section 31 grants. This overall net resource of £0.8m will be used in accordance with the EZ Investment Plan.

Business Rates Collection Fund

2.17 It is estimated that the City Council's share of the Business Rates Collection Fund deficit in 2016/17 will be £5.2m (excluding the planned impact of spreading backdated appeals based on the calculation undertaken in 2013/14). This deficit will be wholly taken into account in setting the 2017/18 budget. This deficit includes a deficit brought forward from 2015/16 of £2.7m more than assumed in setting the 2016/17 budget. The details are described in the 2015/16 Final Outturn Report presented to Cabinet on 17 May 2016. The in-year deficit for 2016/17 of £2.5m largely relates to a required further increase in the provision for appeals.

2.18 In the Council Business Plan and Budget 2016+ a significant risk to the level of future Business Rates income was identified from the application by NHS Trusts across the country for mandatory Business Rates relief on charitable grounds. This has not crystallised but the issue has not yet gone away. If granted this would potentially have a major impact on the Business Rates income for the Council. However, due to the lack of information and uncertainty that surrounds this it has not been factored into Business Rates income forecasts included in this Financial Plan.

2.19 In 2013/14, the City Council spread the cost of its backdated appeals over five years. The impact of making provision for backdated appeals settlements will charge £9.8m (£4.8m City Council share) to the Collection Fund in 2017/18.

Business Rates Summary

2.20 The overall resources available from Business Rates income for 2017/18 is summarised in Table 2.3, with the City Council's net resources being £384.7m.

Table 2.3 - Net Resources from Business Rates 2017/18

	2017/18 Retained Business Rates Income	Estimated Contribution to the WMCA	Subtotal	Planned Spread of Backdated Appeals	2016/17 (Surplus)/ Deficit **	Net Resources from Business Rates
	£m	£m	£m	£m	£m	£m
City Council	(399.302)	4.648	**(394.654)**	4.752	5.159	**(384.743)**
Government*	0.000	0.000	**0.000**	4.849	5.679	**10.528**
WM Fire Authority	(4.033)	0.000	**(4.033)**	0.097	0.105	**(3.831)**
Sub Total	**(403.335)**	**4.648**	**(398.687)**	**9.698**	**10.943**	**(378.046)**
Enterprise Zone*	(2.370)	0.000	**(2.370)**	0.062	2.019	**(0.289)**
Gross Business Rates	**(405.705)**	**4.648**	**(401.057)**	**9.760**	**12.962**	**(378.335)**

*Government and Enterprise Zone figures are shown net of compensation in relation to Enterprise Zone reliefs.
** includes deficit carried forward from 2015/16

2.21 Projected Business Rates income to be retained by the City Council for 2018/19 onwards is set out in Appendix 1 and Table 2.1.

3. Core Government Grant Funding

3.1 From 2017/18, after entering into the 100% Business Rates Retention Pilot, Core Grants are now solely made up of Top Up Grant.

3.2 In 2016/17 the Government changed its approach to distributing cuts in Government Funding. This has gone some way to correct the disparity in the allocation of grant reductions and recognise local authorities' differing levels of Council Tax resilience from 2016/17 onwards but did not address the significant levels of disparity in funding reductions applied in 2014/15 and 2015/16. Furthermore, the revised method of allocation has not been applied to recognise that in the early years of the Improved Better Care Fund (iBCF) those authorities with relatively low tax bases have fewer resources in particular through the Social Care Precept. If the revised allocation methodology had been adopted from 2014/15 and was adjusted for the profile of iBCF allocations, the Council estimates that it would have received additional funding of around £98m in 2017/18.

Top Up Grant

3.3 As part of the 100% Business Rates Retention Pilot the Government continues to pay the City Council a Top Up Grant. This is to compensate for the fact that the 99% of Business Rates income that the Government estimates the City Council will retain is less than the baseline level of funding that Government has estimated the City Council requires.

3.4 Based on the Government's methodology for calculating Top Up Grant for authorities in a Business Rates Pilot, the City Council estimates that it will receive £123.5m Top Up Grant in 2017/18. Future years estimates of Top Up income can be seen in the LTFP (Appendix 1). For the duration of the Pilot the Top Up Grant is expected to adjust annually in line with the combined change that would have taken place in Government funding had the City Council not participated in a Pilot.

4. Corporate Grants

4.1 In addition to Top Up Grant, the City Council also receives a number of grants that are used to support the overall budget. These grants are:

- New Homes Bonus
- Adult Social Care Support Grant (ASCSG)
- Small Business Rates Relief Grant
- Other Business Rates Related Grants
- Improved Better Care Fund (iBCF)

New Homes Bonus

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

- General
- Affordable Homes Element

4.3 The City Council chooses to apply this grant in two ways. The general grant is used to support the overall budget, and the affordable homes element is treated as a Directorate Grant.

4.4 In 2017/18 the City Council will receive £12.8m of general NHB. This is a reduction of £7.0m from 2016/17. Of this reduction £5.6m was taken in order to provide a one-off Adult Social Care Support Grant (ASCSG). The level of returned funding the Council received in relation to ASCSG was £5.6m so no net additional resources were provided.

4.5 The Government is in the process of making significant changes to the way NHB is calculated and the level of funding associated with it. The Government has supplied indicative figures through to 2019/20 with the general grant reducing further to £9.5m in 2018/19 and £9.0m in 2019/20.

This reduction in future years is to partially fund the Improved Better Care Fund (iBCF) and the impact of the change in the methodology of allocating resources continuing into 2018/19 onwards. This is despite the ASCSG being received on a one-off basis. It is not clear how this ongoing loss of funding is being returned to local government. The City Council's forecast of general NHB can be seen in Appendix 2.

Adult Social Care Support Grant (ASCSG)

4.6 The Council will receive £5.6m ASCSG in 2017/18. ASCSG has been introduced by the Government in 2017/18 as a one-off grant to ease pressures within adult social care. However, in order to fund this grant, the Government has taken money from NHB. The City Council's NHB has reduced by £5.6m compared to that expected, meaning there are no net additional resources available to fund adult social care.

Small Business Rates Relief Grant (SBRR)

4.7 In the Government's Budget 2016, it announced that the doubling of SBRR relief had been made permanent. It also announced a significant extension of the scheme which begins in April 2017. This reduces the level of Business Rates income retained by the City Council and the Government provides grant funding to compensate for this.

4.8 The City Council will use this grant of £22.5m in 2017/18 as a corporate resource in the same way that it would have done, had the income continued to be received via Business Rates. The City Council's forecast of SBRR grant can be seen in Appendix 2.

4.9 These numbers exclude SBRR grant received in relation to the EZ as this funding is passed directly to the EZ.

Other Business Rates Related Grants

4.10 Other Government policies which impact on the amount of Business Rates income that the City Council will receive are compensated for by a separate Government grant. The remaining grant of £7.9m in 2017/18 (other than that relating to SBRR described above) is to compensate for the Government capping the increase in the Small Business Rates Multiplier at 2% in previous years. This will not apply to this year's change in multiplier, as RPI was at 2.0% in September 2016, but it will still be received in relation to the capping of the multiplier in previous years.

4.11 As grants will be paid to compensate the City Council for the loss of Business Rates income, they are used to support core activities. The City Council's estimate of other Business Rates related grants can be seen in Appendix 2.

4.12 These numbers exclude other Business Rates related grant received in relation to the EZ as this funding is passed directly to the EZ.

Improved Better Care Fund (iBCF)

4.13 The Government is providing £1.5bn nationally to local authorities to spend on adult social care by 2019/20. This funding is allocated as a separate grant to local government, benefitting in particular those authorities that generate less income through the Social Care Precept, such as Birmingham. Although this funding starts in 2017/18, with an allocation of £6.7m for the Council, the substantial benefit will be felt in 2018/19 (£31.3m) and 2019/20 (£52.4m).

4.14 On setting the 2016/17 budget it was proposed that iBCF would be treated as a corporate resource, but made available to fund additional care services, to facilitate investment in order to deliver the planned savings or to mitigate budget pressures should there be any under-achievement of the required level of savings. On setting the 2017/18 budget the iBCF is being used to help address the demographic growth in adult social care and the under-achievement of savings in 2016/17 as well as the planned savings increases in future years.

5. Council Tax

5.1 In order to maintain the level of income from Council Tax payers, and to mitigate the need to make savings, a base Council Tax increase of 1.99% is proposed for 2017/18.

5.2 In recognition of the particular pressures on adult social care, for example demographic changes and the implementation of the National Living Wage, the Government had previously announced an additional flexibility of 2% each year for four years to raise a Social Care Precept (SCP), which began in 2016/17. The Government has now announced, in the Provisional 2017/18 Local Government Finance Settlement, that for the remaining three years a total increase of 6% relating to the SCP is allowed, with a maximum of 3% in 2017/18 and 2018/19 to provide funding for those services. The Council, like many, if not most, social care authorities considers that this is the best way of going some way towards addressing these cost pressures and intends to make use of this additional flexibility to increase Council Tax by 3% in respect of SCP in 2017/18. However, the adult social care pressures significantly exceed the income yielded from the SCP. A comparison of how the Adult Social Care Net Budget has changed since 2016/17, compared with the Council as a whole, can be seen in Table 3.6.

5.3 The Localism Act 2011 removed the Government’s ability to cap Council Tax increases and instead requires local authorities to consult local residents via a referendum if an “excessive” level of Council Tax is proposed. The Government has announced that for local authorities like the City Council an “excessive” Council Tax would be one where the base increase is 2.0% or more. When allowing for the SCP, the Council Tax increase would need to be 5.0% or more before a referendum would be required. The proposed overall increase of 4.99% will not, therefore, require a referendum.

5.4 The tax base to be used for setting the 2017/18 Council Tax was agreed by Cabinet at its meeting on 24 January 2017. The tax base consists of 243,955 “Band D equivalent” properties, after allowing for a collection rate of 97.1% (including the impact on collection of the Council Tax Support Scheme). This tax base is now fixed for setting the 2017/18 Council Tax.

5.5 The tax base has increased by 4,913 Band D equivalent properties compared with 2016/17. The tax base was calculated after taking account of the Council Tax Support Scheme.

5.6 The proposed City Council’s element of Band D Council Tax will be £1,264.76 for 2017/18. This includes the additional 3% increase for the SCP. (See Appendix 3)

5.7 This would mean that the Council Tax requirement for council services in 2017/18 will be £308.5m.

5.8 A 1.99% increase in the base Council Tax for future years has been assumed for planning purposes. In addition, a 3% increase with regard to the SCP has been assumed in 2018/19. The forecast levels of Council Tax income for 2017/18 to 2026/27 can be seen in the LTFP in Appendix 1.

Council Tax Support

5.9 At its meeting on 10 January 2017 the City Council confirmed its Council Tax Support Scheme for 2017/18 will continue. A discount of up to 80%, dependent on the income and circumstances of the claimant, will continue to be applied in general to those of working age with a low income. However, a discount of up to 100%, again dependent on income and circumstances, will continue to be applied to the following categories of people with low incomes:

- Pensioners (as prescribed by legislation)
- Parents of dependent children aged 6 or under
- Those who qualify for a carer’s premium
- Disabled people in receipt of a disability premium or a disabled child premium
- War pensioners
- Claimant or partner in receipt of Employment and Support Allowance with a qualifying disability benefit

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

Care Leavers

5.11 The Council has considered the financial burden that Council Tax can place on its Care Leavers as they transition from childhood into the independence of being a young adult. It has therefore taken the decision to award discounts to Care Leavers so they are not required to pay Council Tax for up to five years after leaving care.

Council Tax Collection Fund

5.12 It is estimated that the Council Tax Collection Fund will have a surplus at the end of 2016/17 of £5.8m. The City Council's share of this is £5.1m, which has been taken into account in setting the 2017/18 budget.

6. Parish Precepts

New Frankley in Birmingham Parish Council

6.1 The New Frankley in Birmingham Parish Council agreed its precept on 19 December 2016. The precept for the Parish in 2017/18 is £46,016 (2016/17: £44,321). The tax base for the New Frankley in Birmingham Parish is 1,325 "Band D equivalent" properties. The effect of the parish precept on the level of Council Tax for a Band D property is £34.73. This represents an increase of 2.81% in the Band D parish precept compared with 2016/17. (See Appendix 3).

6.2 Following the introduction of the localisation of Council Tax Support and the associated discounts, New Frankley in Birmingham Parish's tax base reduced significantly. The City Council is continuing to pay New Frankley in Birmingham Parish Council a grant of £40,899 to compensate for the reduction, in recognition of the Council receiving additional Government grant for this purpose.

Royal Sutton Coldfield Town Council

6.3 The Royal Sutton Coldfield Town Council agreed its precept on 13 December 2016. The precept in 2017/18 is £1,832,982 (2016/17: £1,823,850). The tax base for the Royal Sutton Coldfield Town Council is 36,689 "Band D equivalent" properties. The effect of the precept on the level of Council Tax for a Band D property is £49.96. There is no increase in the Band D precept compared with 2016/17. (See Appendix 3).

6.4 The City Council has not received any Government grant funding in respect of Council Tax Support discounts in relation to Royal Sutton Coldfield Town Council precept and therefore there is no compensation payment to Royal Sutton Coldfield Town Council to offset the impact of the discounts.

7. Formal Determination of Council Tax

7.1 Legislation specifies the way in which the Council Tax figures must be calculated. To the extent that other sources of income are insufficient, expenditure has to be funded through the Council Tax Requirement. The consequence of this calculation is that the City Council must set a "balanced budget". Table 2.4 shows how the City Council gross expenditure translates into its Band D Council Tax and, as required by law, also shows this calculation when including Parish precepts and the WMCA's and Enterprise Zone's Business Rates growth.

Table 2.4 Council Tax Requirement	**City Council Services £**	**Incl. Parish Precepts, Enterprise Zone Growth and Combined Authority Contribution £**
Gross City Council Expenditure	3,036,160,709	3,041,568,935
Parish Precepts		1,878,998
Less: Estimate City Council Income (excluding business rates, core Government grants and Council Tax)	(2,214,358,130)	(2,214,828,877)
City Council Net Budget	**821,802,579**	**828,619,056**
Less:		
Business Rates	(394,654,213)	(401,672,400)
Business Rates (surplus)/deficit	9,911,278	11,991,986
Revenue Support Grant	0	0
Top Up Grant	(123,463,217)	(123,463,217)
Council Tax Collection Fund (surplus)/deficit	(5,051,930)	(5,051,930)
City Council Council Tax Requirement	**308,544,497**	**310,423,495**
Divided by taxbase	243,955	243,955
Band D Council Tax	**1,264.76**	**1,272.46**

7.2 The City Council's Band D Council Tax for City Council services will be £1,264.76. This figure is an increase of 4.99% over 2016/17 including the 3% additional Council Tax in relation to the Social Care Precept. The notional Band D Council Tax across the City, after including the Parish precepts is £1,272.46.

8. Police and Crime Commissioner and Fire and Rescue Authority Precepts

8.1 The Police and Crime Commissioner approved his budget and precept on 6 February 2017, and the Fire and Rescue Authority agreed their precept to the City Council on 20 February 2017.

8.2 The information received in respect of these major precepts is as follows:

Table 2.5 – Major Precepts 2017/18

	Total Precept £m	Band D £
Police and Crime Commissioner	28.433	116.55
Fire and Rescue Authority	13.939	57.14
Total	42.372	173.69

8.3 The charges for each Council Tax Band can be seen in Appendix 3.

9. Directorate Grants

9.1 In addition to corporate grants, the City Council also receives a number of grants that are used for specific purposes by Directorates. These are grants where the Government has placed additional responsibilities on local authorities, and has provided increased funding accordingly, or where the grant is ringfenced in some other way. Details of all Directorate Grants expected to be received in 2017/18 and 2018/19 can be seen in Appendix 2 along with further detail of the Directorate Grants over £5m.

10. Other Income

10.1 The City Council aims to maximise the income which it can generate in order to minimise both levels of Council Tax and the impact of the cuts required on services. The 2017/18 budget has been based upon the generation of £290.8m of income, as shown in Table 2.1. This is a £1.7m increase from the level of income in 2016/17.

10.2 The Corporate Charging Policy adopted by the City Council details why, what, how and when the City Council should charge for its services and also when these should be reviewed. In summary:

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

- Charges are updated at least annually, with reports being considered over 39 charging areas. A number of charges are set by statute; where they are not, due consideration is given to how the charges will affect access and usage of services, comparison to competitor charges and market conditions

CHAPTER 3: REVENUE FINANCIAL STRATEGY AND 2017/18 BUDGET

1. Financial Plan

1.1 The Council has developed its medium and long-term financial planning for 2017/18. Following the unprecedented challenges in delivering savings in 2016/17 the Council has thoroughly reviewed its savings programme and removed savings that are no longer considered to be deliverable. Furthermore provision has been made to fund additional pressures that the Council expects it will incur.

1.2 On approving the 2016/17 budget, the Council had anticipated having to deliver further savings of £75.1m in 2017/18. Having reviewed the savings programme and funded additional pressures, the requirement to make further savings in 2017/18 remains; £70.9m savings are required in 2017/18, growing to £171.4m in 2020/21. A strategic use of £40.5m of reserves in 2017/18 will allow the Council sufficient time and capacity to transition to its future state.

1.3 Following the financial experience of 2016/17 the extent of savings delivery risk is clearly recognised, along with the potential impacts of unidentified pressures and other changes the further into the future we go. In response, the Council will continue to maintain a level of reserves that will be treated as a savings delivery contingency. In addition, governance processes have been reviewed and significantly enhanced to improve the production of implementation plans and monitoring of the most significant savings proposals at the highest level. The Council will also pursue a contingency programme to identify and develop alternative savings proposals to address new pressures or help to mitigate any savings deliverability issues.

1.4 The remainder of this chapter explains in more detail the composition of the Revenue Financial Strategy and 2017/18 Budget and the steps the Council is taking to help ensure that the savings required will be delivered.

2. Financial Challenge

2.1 The City Council's Financial Plans have been developed to take account of the following:

- The reductions in Government grant funding
- Expectation of income from Council Tax and Business Rates
- Funding to meet budget pressures and the cost of investment in priority services, including changing needs in the City's population
- Inflation
- Provision for increased employer's pension costs
- Financing of Equal Pay settlements

- Cost of redundancies
- Capital financing costs based on the capital budget, informed by interest rate expectations
- The strategic use of corporate reserves on a planned and sustainable basis
- Non-deliverability of savings from previous years

2.2 After taking account of the above factors, savings have been planned in order to balance the budget in the medium-term. Further cumulative annual savings of £171.4m are planned over the next four years.

2.3 The outlook for corporate revenue resources (Government Grant, Council Tax and Business Rates) is set out in Chapter 2.

3. Investing In Priorities and Addressing Pressures

3.1 The Council's vision for the future forms the bedrock of our ambition:

- a healthy city and a great place for people to grow old in
- a great city for children to grow up in
- a great city to live in with decent homes for all
- a city where citizens succeed because they have skills required for the jobs on offer

3.2 A city where every child, every citizen, and every place matters. A welcoming city, comfortable with its many communities.

3.3 The City Council is just one player in achieving these priorities. Unprecedented cuts in Government funding since 2010 means that the Council's role has changed. Rather than simply delivering services across the city, we must now enable partners, communities and individuals.

3.4 The budget for 2017/18 includes increased budget allocations of £109.8m, both to fund investment in priority services and to address budget pressures. This figure rises to £150.0m by 2020/21.

3.5 The Council will continue to invest in adult social care:

- To meet the costs of the increasing number of older people requiring care (£19.3m in 2017/18)
- Unavoidable pressures related to the cost of Deprivation of Liberty Safeguards of £1.5m
- Funding pressures regarding unachievable savings plans from previous years of £34.5m
- The Council has also funded inflation costs (see Section 4) and pension costs (see Section 5) for Adult Social Care

3.6 The City Council will utilise the Social Care Precept (discussed in Chapter 2 Section 5) to contribute towards the extra cost of adult social care. This will provide additional funding of £8.8m in 2017/18 over and above a base increase of 1.99%, rising by a similar amount the year after to total £18.3m in 2018/19. Should the Council not adopt the Social Care Precept it would impair/prevent the Council's funding of these measures. In 2017/18, the Council is expecting to receive £6.7m in funding from the Improved Better Care Fund (see Appendix 2) and £5.6m from the Adult Social Care Support Grant (see Appendix 2), although the latter will be for one year only.

3.7 The Council is implementing a wide ranging Improvement Programme for Adult Social Care. Work began to formulate this last year and it was informed by the West Midlands Association of Directors of Adult Social Services Peer Review which was reported to Cabinet in November 2016. This resulted in a comprehensive plan of actions to be implemented in the first half of 2017. The recommendations included:

- strengthening the service's financial monitoring and delivery of efficiencies/savings requirements

- improving engagement with stakeholders including carers

- implementing an integrated place based health and care system in Birmingham and outlining how relationships with health can be improved at the front door

- upscaling and maximising the potential offered by an asset based approach with the voluntary and community sector placing a particular emphasis on the Council's narrative and actions in relation to prevention.

3.8 This action plan builds on and includes work completed with the Social Care Institute for Excellence to implement the Care Act.

3.9 Despite the challenging financial position, the Council is continuing to provide further resources each year for child protection services – an extra £2.3m in 2017/18, in addition to the extra £29.2m per year already put in place in previous years. These resources are to meet the expected increase in needs and allow for the recruitment of more social workers.

3.10 The Council will also be funding additional costs associated with the creation of a Children's Trust. Additional pay and non-pay costs will be approximately £0.5m in 2017/18, rising to £1.5m per annum by 2018/19.

3.11 In addition to the above investment in social care services, the City Council has funded policy decisions. Full details are set out in Appendix 4 with the largest items being:

- £6.0m to fund the difference between the annual costs of the Schools PFI contracts and the income the Council receives to offset the costs in the form of the PFI grant and school contributions
- £5.6m to fund a shortfall in the Education Services Grant due to a reduction in Government funding that previously reimbursed the City Council for costs incurred on behalf of maintained schools
- £2.7m to fund unachievable education savings plans from previous years
- There is a one-off pressure of £2.0m in 2017/18 to enable the Travel Assist service to transition into its new operating model, as well as an on-going pressure of £0.4m related to unachievable savings from previous years
- £5.2m on Waste Management. This additional funding recognises the current operational costs of the service.
- The Homelessness Service is experiencing unprecedented demand for temporary accommodation, in line with national trends. Based on current activity levels, an additional resource of £3.0m is required for the Council to meet its statutory duties

3.12 The Council budget monitoring process recognised early in the 2016/17 year that the Council was experiencing savings deliverability issues. A thorough review of all savings was undertaken. A Mid-Year Review was carried out to identify how much the Council could mitigate the in-year position, and identified savings in the budget that were at risk. Those that were considered to be undeliverable have been written out of this Financial Plan.

3.13 Funding is also being provided to address unachievable income targets, and to meet a range of unavoidable budget pressures, including those that have been identified through the monitoring of the budget in 2016/17 and where business cases have already been approved. A total of £15.4m has been included to address other savings non-delivery or unachievable income targets.

3.14 At the same time, some costs are expected to reduce compared to previous forecasts, including the Apprenticeship Levy, the WMCA Transport Levy (see paragraph 14.1) and the cost of auto-enrolment in the Pension Scheme (see paragraph 5.5).

3.15 Increases in the cost of employer pension contributions (see Section 5) have led to an increase in costs to General Fund services of £15.3m in 2017/18 rising to £26.2m by 2020/21.

4. Inflation

4.1 The City Council faces general inflationary increases in its costs, although it also expects services to review all charges regularly to at least maintain income levels in real terms. The Office for Budget Responsibility's CPI projections have been used to determine the inflation rate in the short-term, unless the terms of major contracts provide for a different rate. Provision has been made for inflationary increases in relation to pay and contracts.

4.2 The Government announced in its Summer Budget of July 2015 that its expectation was that there will continue to be wage restraint in the Public Sector. Accordingly, an increase of 1% per annum has been allowed within pay budgets for the next three years, with a long-term planning assumption of a 2.5% increase from 2020/21 onwards.

4.3 For most other non-pay budgets, it has been decided that in 2017/18, services will have to manage within existing budgets, thus absorbing any inflationary pressures.

5. Pension Contributions

5.1 In common with other employers and pension funds, there is a deficit in the City Council's share of the West Midlands Pension Fund (WMPF) in respect of benefits already accrued and expected to be accrued relating to employees' service up to 31 March 2017. This deficit is being addressed through long-term additional lump sum contributions.

5.2 The revaluation as at 31 March 2016 entailed a major reassessment by the WMPF and its actuary to determine and agree the required level of contributions commencing in 2017/18. WMPF advised the Council of a payment profile for the three years 2017 - 2020 based on progressive City Council contribution increases, the continuation of which is forecast to lead to full deficit recovery over a 21 year period. This also includes a phased introduction of increases in the employer's "future service" contribution rate.

5.3 As mentioned in Section 3, this leads to an increased budget pressure of £15.3m in 2017/18 rising to £26.2m in 2020/21.

5.4 The City Council will enhance the level of discount it receives on payments to the WMPF as a result of making a prepayment in April 2017 for the next three years contributions.

5.5 The expected additional employer contributions arising from the introduction of pension auto-enrolment has been included from 2017/18 onwards, although estimates have reduced compared with previous forecasts.

5.6 The Council will use £2.5m of Capital Receipts Flexibility to cover expected pension strain costs in 2017/18.

6. Equal Pay

6.1 The City Council has received claims under the Equal Pay Act 1970 and has therefore made provision within its accounts. The City Council has recognised total estimated Equal Pay liabilities of £1.2bn for claims received. Of the estimated total liability, £883.2m had been settled by 31

March 2016, comprising £48.6m for the HRA and £834.6m for the General Fund.

6.2 The revenue implications of Equal Pay settlements have been reflected in both the budget for 2017/18 and in the LTFP in relation to later years. This includes capital financing costs arising from capital expenditure in previous financial years, loss of income or other costs arising from any asset sales, together with the repayment of funds borrowed from earmarked reserves on a temporary basis. There will also be contributions from the HRA and schools. Net General Fund revenue costs are expected to be around £109m in 2017/18, an increase of £5m from the 2016/17 budgeted figure. This is expected to rise to around £114m by 2020/21.

7. Financing Costs

7.1 The revenue effects of capital expenditure have been reviewed in the context of the Capital Programme set out in Chapter 6 of this report, and expectations of movements in interest rates. Further detail on this and Minimum Revenue Provision (MRP) can be seen in Chapter 6 and Appendix 15.

8. Redundancy Costs

8.1 The City Council continues to need to reduce the size of its workforce as a result of implementing the savings needed to balance the budget. It is expected that there will be a reduction of around 1,100 jobs in 2017/18, on top of the reduction approaching 10,000 jobs over the last six years. This amounts to a reduction of over 40% in the Council's workforce over this period, and further reductions in the medium-term are likely.

8.2 Whilst there will always be some natural turnover in the number of staff, redundancy costs are unavoidable, together with the costs of some additional "strain" on the pension fund as a result, if the necessary savings are to be delivered. The City Council is taking advantage of the flexibility in the application of capital receipts which was announced by the Government in 2016.

9 Use of Reserves

9.1 The City Council has generally maintained limited reserves which are neither ring-fenced nor which have been earmarked for specific purposes, including the use of Government Grants received in advance of the expenditure which they will be funding. Reserves can only be used on a one-off basis, which means that their application does not offer a permanent solution to the requirement to deliver significant reductions in the future level of Council expenditure.

9.2 Nevertheless, the Council was able to create an OTR as a result of the review of its policy for making provision for debt repayments (MRP), spreading them more evenly over a fixed future period. Of the sum created in this way,

£28.5m was utilised in 2015/16 and £3.0m is planned to be used in 2016/17, leaving a balance of £69.8m at the 31 March 2017. This is available to mitigate future savings and ensure a stable and deliverable transformational transition to new ways of delivering services, and also as a risk contingency. It is proposed that £12.5m of the reserve will be utilised in balancing the budget for 2017/18.

9.3 As a result, it is expected that there will be a substantial balance in this reserve (£57.3m) at the 31 March 2018 which will be available as a contingency against the risk of delays in achieving some of the savings in the plan, especially in view of the major transformational changes that are included in some of the proposals.

9.4 The Council has reviewed the level of all of its other corporate reserves, and this financial strategy utilised a number of resources in order to assist in budget setting, resulting in the net budgeted use of the Council's corporate reserves increasing compared to 2016/17.

9.5 The City Council will utilise a net £40.5m of corporate reserves in the 2017/18 budget to transition to the Council of the Future including:

- Use of (£28.0m) the Capital Fund (a revenue reserve) to support the 2017/18 budget
- Use of (£12.5m) from OTR as mentioned above to balance the budget for 2017/18

9.6 In addition the City Council will make a net contribution of £7.4m to corporate reserves in the 2017/18 budget in the following ways:

- A net contribution to the Capital Fund (a revenue reserve) of £3.1m resulting from service prudential borrowing recharge

- Other one off resources (£1.7m) generated in previous years will be carried forward and used in 2017/18

- £3.4m Business Rates Pilot appropriation to a reserve as a contingency for any costs that may arise to honour the terms of the Pilot

- A net contribution to reserves of £2.6m relating to cyclical maintenance

9.7 There has also been a net repayment of £1.0m relating to the Highways Maintenance PFI reserve.

9.8 There has been no structural change in the planned use of revenue reserves compared with the financial position set out in the public consultation document.

9.9 The profile of the receipt of Highways PFI grant is different to the payment profile of PFI costs resulting in more grant being received in earlier years than is required to meet the costs of the Highways PFI payments. This additional grant has been earmarked as a reserve to meet the shortfall in grant in later years. The Highways PFI reserve has been used over the last few years to smooth redundancy and pension fund payments. As in previous years, the borrowing from Highways PFI Grant reserve is factored in to be repaid before the grant is required to meet PFI costs.

9.10 The movements can, therefore, be summarised in Table 3.1.

Table 3.1 - Movements in Corporate Reserves	**Contributions to / (from)**		**Movement**
	2016/17*	**2017/18**	
	£m	**£m**	**£m**
Use of Capital Fund to fund 2017/18 Gap	0.000	(28.000)	(28.000)
Use of Organisational Transition Reserve	0.000	(12.533)	(12.533)
Strategic Use of Reserves	**0.000**	**(40.533)**	**(40.533)**
Movements to general fund balance	1.500	0.000	(1.500)
Contribution to Capital Fund (Revenue Reserve)	7.432	3.097	(4.335)
Use of one off resources from previous years	(8.805)	(1.701)	7.104
Treasury Management	(3.486)	0.000	3.486
Business Rates Pilot No Detriment Contingency	0.000	3.438	3.438
Cyclical Maintenance Reserve	0.000	2.540	2.540
Other (Use of)/ Contribution to Reserves	**(3.359)**	**7.374**	**10.733**
Sub-total (Use of)/Contribution to Reserves	**(3.359)**	**(33.159)**	**(29.800)**
Borrowing for:			
Temporary borrowing to manage 16/17 position	(4.227)	0.000	4.227
Sub-total Borrowing from Reserves	**(4.227)**	**0.000**	**4.227**
Net Repayments:			
Borrowing from Highways PFI	1.732	1.006	(0.726)
Other	0.803	0.000	(0.803)
Sub-total Net Repayments	**2.535**	**1.006**	**(1.529)**
Repayments and Borrowing	**(1.692)**	**1.006**	**2.698**
Total Reserves Movement	**(5.051)**	**(32.153)**	**(27.102)**

*** This is the original planned use of reserves as per the Business Plan 2016+**

9.11 After taking account of planned contributions to/(from) reserves and balances, the position is expected as shown in Table 3.2.

Table 3.2 Reserves position

Directorate / Corporate	Description	31/03/2017 £m	31/03/2018 £m	31/03/2019 £m	31/03/2020 £m	31/03/2021 £m
Corporate	Corporate General Fund Balance	29.0	29.0	29.0	29.0	29.0
Directorate	Directorate Carry Forward Balances	1.4	1.3	1.3	1.3	1.3
Corporate	Organisational Transition Reserve	69.8	57.3	57.3	57.3	57.3
	Total Un-earmarked Reserves	**100.2**	**87.6**	**87.6**	**87.6**	**87.6**
Directorate	Highways PFI Grant gross	99.4	98.1	96.4	94.0	94.0
Direct / Corp	Less Temporary borrowing	(22.8)	(21.9)	(21.3)	(27.3)	(30.5)
Direct / Corp	Highways PFI Grant net	76.6	76.2	75.1	66.7	63.5
Direct / Corp	Reserves for budgets delegated to schools	64.7	65.3	65.9	67.0	68.1
Corporate	Treasury Management	2.8	2.8	2.8	2.8	2.8
Directorate	Insurance Fund	8.4	8.4	8.4	8.4	8.4
Corporate	Capital Fund	43.4	18.5	21.8	22.2	22.5
Corporate	One-off resources from previous years	2.0	0.3	0.3	5.4	0.3
Corporate	Cyclical Maintenance	5.2	7.7	10.3	12.8	15.4
Corporate	Business Rates Pilot No Detriment Contingency	0.0	3.4	4.9	7.4	7.4
Corporate	Other Corporate Reserves	(2.5)	(2.5)	(2.5)	(2.1)	(1.7)
Directorate	Directorate Reserves	88.3	75.3	67.8	65.6	65.9
	Total Earmarked Reserves	**288.9**	**255.4**	**254.8**	**256.2**	**252.6**
	Overall Total	**389.1**	**343.0**	**342.4**	**343.8**	**340.2**

9.12 Individual Directorates plan to make a net use of £14.4m of Directorate reserves and the Highways Maintenance PFI reserve in 2017/18 in order to:

- Meet one off costs from reserves earmarked for specific purposes, and
- Set aside resources to meet future costs
- Deliver savings proposals

9.13 Directorate reserves are expected to reduce over the period to 2020/21.

10. Savings and Service Changes

10.1 The Council has taken a strategic medium-term approach to the development of the savings proposals needed in order to balance the budget.

10.2 In order to balance the budget, savings of £70.9m are required for 2017/18, rising to £171.4m by 2020/21. The Council has needed to identify savings while having regard to its Policy Priorities.

10.3 The City Council has also had to consider whether, in some instances, it can no longer afford to provide its current level of service.

10.4 A robust review of the savings programme approved for 2016/17 to 2019/20 has taken place. Where savings are no longer considered to be deliverable they have been removed from the programme and replacement savings identified.

10.5 The individual savings proposals were set out in a corporate budget consultation document which was published on 8 December 2016. There have also been public meetings and engagement with some specific groups, in order to allow people to find out more, and to offer their views on the proposals. There has also been the opportunity for people to respond electronically and in writing. The Council has promoted the use of social media in order to encourage further involvement from the citizens of Birmingham. The Budget 2017+ Consultation Report is set out at Appendix 18.

10.6 The Budget 2017+ consultation will be complemented by directorate-based consultation with the general public and service users on individual proposals so that no new service specific proposal (as identified in Appendix 5 of the Financial Plan 2017+) will be implemented until the Financial Plan 2017+ has been approved by Full Council and the requisite public sector equality duty or other statutory consultation has taken place, that decision makers have had 'due regard' to issues arising from this equality process and the necessary governance process has been completed.

10.7 The Budget 2017+ consultation did not include those proposals that were part of a previous year's budget process and have not yet been implemented. Those 'existing' proposals will be subject to the necessary consultation, equality assessment and governance, as set out in 10.6 above, before they are implemented.

10.8 In the light of public consultation responses, including initial equality impact assessments and consideration of mitigations as appropriate, to ensure that the Council meets its Public Sector Equality Duty, it has been proposed that the Council reduce the level of savings on three of the proposals:

- The planned savings of £1.1m on Post 16 Transport (relating to Saving proposal CH4 17+) will not now go ahead
- The planned savings on Parks (HN1 17+) will be reduced by £1.2m
- Savings planned for Supporting People (HW1 17+) have been reduced by £2.0m in 2017/18 and by £5.0m from 2018/19 onwards

10.9 Following work carried out on the feasibility of implementation plans, the timing of some savings planned has been re-phased. This has meant there is a reduction in savings in 2017/18 only for the following proposals:

- Adults Enablement (HW3 17+) savings have been reduced by £1.0m
- Adults Community Access Points (HW11 17+) savings have been reduced by £0.2m
- Adults Integrated Community Social Work Organisations (HW4 17+) savings have been reduced by £1.2m
- Museums (JS1 17+ & EGJ6 16+) savings have been reduced by £0.8m

10.10 In addition, the savings to be achieved by the Corporate Future Operating Model (FOM) (CC2 17+) have been re-phased, thus reducing the savings by £4.0m in 2018/19 only.

10.11 The amended aggregate value of the savings proposals can be seen in Table 3.3.

Table 3.3 Savings Proposals	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	£m	**£m**	**£m**	**£m**
Savings in existing plans	(27.810)	(50.535)	(75.829)	(82.072)
New Proposals subject to consultation	(50.593)	(94.328)	(96.267)	(96.542)
Total Savings in consultation	**(78.403)**	**(144.863)**	**(172.096)**	**(178.614)**
Amendments	7.508	11.258	7.258	7.258
Total Savings Plan	**(70.895)**	**(133.605)**	**(164.838)**	**(171.356)**

11. Risk Management and Contingency Planning

11.1 The Council had considerable savings deliverability issues in 2016/17. Therefore a fundamental review of the originally planned savings for 2017/18 as well as the “base budget” assumptions has been undertaken. Any savings identified as being undeliverable in 2017/18 have been removed from the savings programme to reduce the risk of similar challenges occurring in 2017/18. A revised savings programme has been developed for 2017/18 and beyond (see Appendix 5).

11.2 In order to help ensure that the savings are delivered in line with expectations, enhanced governance arrangements have been put in place, including the establishment of a corporate Programme Management Office (PMO) and the Budget Board to specifically monitor the delivery of those savings with the highest levels of risk attached to them.

11.3 The PMO will closely monitor the implementation of savings plans and will maintain a Risk Register to highlight where there is a danger of underachievement of savings. The Budget Board will provide extra focus on the most significant savings plans with the highest risk of delivery. There will also be extensive budget monitoring of all savings proposals in order to ensure that any issues are identified as soon as possible, and the necessary corrective action taken.

11.4 The Council will make provision for implementation capacity of £8.9m in order to strengthen its capacity to deliver savings. £7.0m is being held in Policy Contingency and £1.9m has been allocated to Directorates.

11.5 The Council has learnt from its financial experience of 2016/17 and is engaged in a process of contingency planning. The Council will adopt the process of “Live Budgeting” by continually looking for alternative savings proposals to help mitigate any savings delivery issues. Contingency items will be identified through a number of areas such as:

- Savings proposals that had not been fully developed when the Council opened its consultation on savings proposals in December 2016 (e.g. commercialisation)

- Council "Challenge Panels" identifying further efficiencies that can be made by services

As these items are to be worked up as contingency plans they are not yet included in the Financial Plan.

11.6 As and when potential new savings proposals are identified these will be considered by the Corporate Leadership Team and Cabinet. If these are considered acceptable they will then be pursued through the Council's "Live Budgeting" approach and progressed appropriately.

11.7 The OTR will provide some further contingency against any delivery issues as outlined in paragraphs 9.2 – 9.3.

11.8 The Council's Corporate Risk Register is updated and reported to the Audit Committee three times a year.

12. Policy Contingency

12.1 The 2017/18 budget includes a Policy Contingency as detailed in Table 3.4.

Table 3.4 Policy Contingency	**£m**
Loss of Income from Car Park Closures	0.252
Carbon Reduction Commitment	1.034
Auto-enrolment in Pension Fund	0.300
Inflation Contingency	7.542
Highways Maintenance	1.000
Improvement Expenditure	6.951
Apprenticeship Levy	1.303
Capital Receipts Flexibility	(8.740)
General Contingency	2.988
Total Policy Contingency excluding Future Operating Model savings	**12.630**
Future Operating Model - savings to be allocated	(14.610)
Total	**(1.980)**

12.2 The unallocated General Contingency of £3.0m provides risk cover in the overall delivery and management of the budget in 2017/18.

13. Capital Receipts Flexibility

13.1 The Government announced that for the three years 2016/17 – 2018/19 capital receipts can be used to fund the revenue costs of transformation that help to deliver savings to the public sector.

13.2 The Council has already planned to make use of this through applying costs of redundancy and pension strain associated with generating savings.

13.3 Furthermore, the Council intends to maximise the use of this flexibility to help fund improvement expenditure which is planned to generate savings either for the Council, or within the wider public sector.

13.4 The planned application of the Council's flexible use of capital receipts strategy in 2016/17 (revised) and 2017/18, along with the anticipated benefits to the public sector can be seen in Appendix 6.

13.5 The Flexible Use of Capital Receipts Strategy includes £2.0m of general funding available to deliver savings. It is recommended that the City Council delegates authority to Cabinet to allocate this specific funding to assist with the delivery of savings and contingency planning in 2017/18.

14. Levies

14.1 The budget for 2017/18 includes £47.7m (a 3% reduction on the £49.0m levy in 2016/17, which is contributing to the savings programme) in respect of the WMCA Transport Levy and £0.3m (£0.3m in 2016/17) for the Environment Agency Levy.

14.2 The Council will make a contribution to the WMCA of £0.2m in 2017/18. This is a reduction of £0.3m compared to the 2016/17 budget.

15. Revenue Budget 2017/18 and a Medium-Term Plan to 2020/21

15.1 The legal requirement placed upon local authorities is to set a balanced budget for the forthcoming financial year i.e. 2017/18.

15.2 A summary of the expected financial position over the forthcoming four financial years is set out in Table 3.5.

Table 3.5 - Medium Term Financial Plan					
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Net Budget 2016/17	835.281	835.281	835.281	835.281	835.281
Inflation		10.349	26.728	42.540	62.019
Policy Priorities & Pressures		109.795	128.025	146.880	149.986
Savings Programme		(70.895)	(133.605)	(164.838)	(171.356)
Net Movement in Reserves		(27.102)	13.026	10.487	0.453
Corporately Managed Budgets		(10.848)	(14.510)	(9.262)	9.323
Changes in Corporate Grants		(24.777)	(40.511)	(62.290)	(62.971)
Total Net Expenditure	**835.281**	**821.803**	**814.434**	**798.798**	**822.735**
Business Rates*	(187.884)	(384.743)	(408.420)	(423.937)	(433.829)
Core Grants (Top Up)	(127.067)	(123.463)	(82.196)	(48.834)	(49.920)
Council Tax*	(293.743)	(313.597)	(324.588)	(331.709)	(338.986)
Core Grants (RSG)	(226.587)	0.000	0.000	0.000	0.000
Total Resources	**(835.281)**	**(821.803)**	**(815.204)**	**(804.480)**	**(822.735)**
	0.000	**0.000**	**(0.770)**	**(5.682)**	**0.000**
Cumulative Changes in Spend before Savings		**57.417**	**112.758**	**128.355**	**158.810**
Net Cumulative Reduction in Resources		**13.478**	**20.077**	**30.801**	**12.546**
Cumulative Savings Programme		**70.895**	**133.605**	**164.838**	**171.356**
Annual Increase in Savings Programme		**70.895**	**62.710**	**31.233**	**6.518**

* Business Rates and Council Tax are shown net of any anticipated surplus/ deficit.

15.3 A longer-term perspective is also summarised in Appendix 1. This shows that further savings will be required over the 10 year period, but there is likely to be as yet unknown pressures, along with uncertainty relating to the Government's Fair Funding Review, which is due to be implemented in 2020. However the four year settlement agreed with the Government has provided a greater level of financial certainty over this period.

16. Statements by the Designated Chief Financial Officer

Assessment of Budget Estimates

16.1 Forecasts of available resources have been updated and revised where necessary. A range of financial issues, costs and projects/programmes have been identified and an appropriate level of budget has been provided. Proposals have been developed to deliver the required savings with due regard to consultation and equality assessment requirements, and management arrangements have been put in place to mitigate any residual risks as much as practically possible. Financial proposals have been developed in order to address the policy priorities of the Council. The budget is monitored closely, and there are contingencies and reserves/balances which could be made available, if necessary, to address unexpected events.

16.2 The Council has enhanced its governance procedures with the new PMO and Budget Board to improve the planning and monitoring of savings proposals. It is using "Live Budgeting" by developing contingency plans to offer alternative savings proposals. One-off resources will remain in the OTR to provide some further contingency against delivery difficulties.

16.3 Therefore, taking the above into account together with the comprehensive business and financial planning process, the level of reserves and balances and the approach to risk management, the Designated Chief Financial Officer is satisfied that the 2017/18 budget proposals are based on robust estimates.

Level of Reserves and Balances

16.4 The financial challenge the Council is facing involves making savings that are of an extremely difficult and complex nature.

16.5 It is proposed to use £28.0m of the Capital Fund (a revenue reserve) and £12.5m of the OTR to balance the 2017/18 budget, although it is not presently forecast that any net use of these reserves will be required in 2018/19. It remains prudent and necessary to retain the OTR (£57.3m) in order to address any unexpected future events, as discussed above and to smooth the transition to a FOM for Council services at significantly reduced costs. In addition, the Council retains general balances of £29.0m.

16.6 Furthermore, there are rigorous arrangements in place for the management of the City Council's finances and un-earmarked and also earmarked funds that could be made available in the short-term, although they are expected to be needed in the long-term.

16.7 Therefore, the formal view of the Designated Chief Financial Officer is that the level of reserves and balances for 2017/18, summarised in this Financial Plan, is adequate. This needs to be kept under regular review, both in the short and medium term.

Social Care Precept

16.8 The Designated Chief Financial Officer is satisfied that the Council Tax income yield from the Social Care Precept has been fully utilised to meet adult social care costs. As set out in paragraph 3.5 the Council has also identified additional resources in this area.

16.9 Table 3.6 below shows the growth in the Adult Social Care Net Budget, compared to the reduction in the overall net budget after excluding any statutory expenditure (Homelessness, Youth Justice, Safeguarding Children and Looked After Children).

Table 3.6 Change in Net Adult Social Care Budget	2016/17 Budget (£) A	Total ASC 2017/18 Precept (£) B	2017/18 Budget (£) C	ASC% change 2016/17 to 2017/18 Budget excluding Precept ((C-B)/A)) D
Budget for non-ring fenced services	673,066,463		660,310,901	98.1%
Budget for Adult Social Care	285,038,448	8,816,534	337,874,117	115.4%

16.10 On this basis the Designated Chief Financial Officer is content that the City Council will use the funding from the Social Care Precept to improve the way adult social care services are delivered. This can be further evidenced in paragraphs 3.5 to 3.7.

CHAPTER 4: HOUSING REVENUE ACCOUNT (HRA)

1. Summary

1.1 The HRA Self Financing Framework was introduced from April 2012 (as part of the Localism Act 2011) and this required local authorities to maintain a long term HRA Business Plan.

1.2 The HRA Business Plan 2017+ sets out the immediate and long term financial plans and is underpinned by a number of key operational assumptions (relating to property, arrears, debt, inflation and rent levels).

1.3 The HRA Business Plan 2017+ shows a balanced long term financial plan and incorporates the continuation of a long term debt reduction programme that commenced in 2015/16 (to match the expected life spans of existing properties), but at a slower rate than initially planned.

1.4 The national rent policy introduced from April 2015, intended to cover a 10 year period, was substantially amended for the 4 years from April 2016. The policy is now based on rent reductions of 1% per annum for 4 years, followed by annual increases at CPI +1% with rent convergence only taking place for new tenancies (full details of the rent setting policy are set out in a separate Cabinet Report considered on 14 February 2017).

2. Background

2.1 The City Council is one of the largest providers of social housing in Europe, managing in excess of 62,000 homes representing 15% of the total housing available within the City. There is a substantial level of unmet need for affordable housing in Birmingham, with a waiting list of over 18,000 households and the need for an estimated 26,000 additional social rented or affordable homes by 2031.

2.2 The HRA is a statutorily ring-fenced account that deals with income and expenditure arising as a result of the City Council's activities as a provider of social and affordable housing. The legislation requires that income and expenditure relating to the City Council's provision of social and affordable housing must be accounted for within the HRA and that the proposed annual budget is balanced.

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

3.1 The HRA is under considerable service and financial pressure to reflect national and local policy changes and in particular the following issues are highlighted:

- Impact of the Welfare Reforms and the introduction of the Universal Credit – research conducted by the Association of Retained Local Authorities indicated that rent arrears increased in those areas where Universal Credit has been introduced by an average of 16% in the first quarter following implementation. As direct payment of housing benefit to recipients is introduced, this is likely to increase substantially. In excess of 70% of the Council's HRA tenants are currently in receipt of housing benefit. Therefore the impact of this transition in Birmingham is likely to be significant as the transition from Housing Benefit to Universal Credit continues

- The impact of the revised national rent policy (rent reductions of 1% per annum between 2016/17 and 2019/20) is estimated to result in a loss of HRA income increasing to approximately £42m per annum by 2019/20

- The future impacts of the proposed government policy for introducing a tariff relating to high value void dwellings (likely to be implemented from 2018) is not yet known, but early estimates are that this might equate to a cost to the HRA of in excess of £5m per annum once implemented.

3.2 In addition, there are statutory requirements to ensure that there is no cross-subsidy between the HRA and General Fund services (the "who benefits" principle – designed to ensure that council tenants do not pay twice for the same service, through both Council Tax and Rents), that an annual balanced budget is set and that the service is sustainable and affordable in the long run based on the HRA Self-Financing Framework.

4. Key Outcomes and Strategic Housing Service Objectives

4.1 The HRA Business Plan 2017+ is intended to support the following key strategic and housing service objectives:

Building New Homes and Maintaining Stock

- Provision of new affordable housing to replace obsolete properties and provide a significant contribution to the Housing Growth Strategy (2,570 new council homes over the next ten years with an associated investment of £379m)

- Maintaining properties in their current improved condition (to ensure that the properties are not impaired) with an investment of £585m over the next ten years

- Life-cycle replacement of property components (windows, heating, kitchens, bathrooms, roofs, electrical components)

- Discharge of statutory day to day repairs and maintenance obligations (including compliance with health and safety on annual gas inspections) with investment of £669m over the next ten years.

- Adaptations to properties to continue to promote independent living (an investment of £37m over the next ten years)

Local Housing and Estate Services

- Continued modernisation of the delivery of local housing management services (e.g. annual visits, review and more rigorous enforcement of tenancy conditions, in particular anti-social behaviour)

- Implementation of a revised operating model for sheltered housing services, aligned to a revised charging structure to minimise residual costs borne by the HRA. The details of the revised approach were set out in a Cabinet Report considered on 24 January 2017.

- An ongoing review of other estate based services that are subject to service charges (including caretaking and cleaning), with any resulting service redesigns and revisions to service charges to be delivered during 2017/18 and 2018/19 to ensure that changes in service provision to tenants are phased in over a suitable time period with appropriate consultation built into implementation plans. These service reviews are designed to ensure that the services are delivered efficiently and offer good value for money to the tenants in receipt of the services, whilst ensuring that they are not cross-subsidised by other tenants not receiving the services

- Improving performance on rent collection and empty properties

- Secure efficiencies in Business Support Services to ensure that scarce resources are not unnecessarily diverted away from front line service delivery and investment priorities

Rent Policy

- To ensure that the rent policy is consistent with the revised national rent policy (rents will further reduce by 1% in 2017/18 with additional 1% reductions for the next two years, followed by increases of CPI +1% for subsequent years)

- To ensure that service charges are set at a level that reflects the costs of service delivery, whilst ensuring value for money for tenants and ensuring that charges are eligible for support through housing benefit wherever possible.

5. HRA Business Plan 2017+ and Budget 2017/18

5.1 A summary of the HRA Business Plan 2017+ is set out in Appendix 8.

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

- A balanced revenue budget over the next 10 years, achieved as a result of:

  - Substantial reductions in future rental income as a result of the implementation of the revised National Rent Policy as set out in the Rent Policy Section above

  - A reduction in resources available to the HRA as a result of the introduction of the Government's high value voids policy from 2018/19, estimated to cost the HRA a total of £49m by 2026/27

  - A clear focus on improved collection of rents from tenants, linked to the review and enforcement of tenancy conditions and continuation of the annual visits programme

  - Increased prudential borrowing within the HRA debt cap to replace revenue contributions required to support planned capital expenditure, including the council housing new build programme and investment in existing housing. The financial viability of individual schemes (including the affordability of any new borrowing that may be required) will continue to be considered as a part of the Full Business Case produced for each scheme or programme

  - Rephasing and deferral of the planned debt repayment and reduction programme to ensure a balanced overall position year on year. This rephasing continues to deliver a reduction in total HRA debt, with the balance outstanding falling to below £500m by 2038/39 and the achieving of a debt:income ratio of below 2:1 by 2033/34. This compares to the previous debt profile that achieved a reduction to £500m by 2034/35, and a debt:income ratio of below 2:1 by 2026/27

- The debt repayment strategy still includes loan redemptions in all years from 2017/18 (although the total forecast debt outstanding in 10 years' time - 2026/27- is £147m higher than previously planned at £980m). Total HRA debt at 31 March 2017 is forecast to amount to £1,118m

- Average borrowing per property of £18k in 2017/18, reducing slightly to £17k over the next 10 years and to below £10k per property by 2037/38 (effectively the average mortgage on each HRA property)

- Maintenance of adequate reserves and provisions for potential bad debts (estimated for 2017/18 at £30m including minimum balances of £4m and provisions for bad debts of £26m)

5.3 The comparison of the HRA budget for 2016/17 and the proposed budget for 2017/18 is set out in the table below:

Table 4.1 HRA Budget	**2016/17 £m**	**2017/18 £m**	**Change £m**	**Change %**
Repairs	65.571	64.460	(1.111)	-1.7%
Local Housing Costs	68.705	68.360	(0.345)	-0.5%
Estate Services Costs	18.752	16.978	(1.774)	-9.5%
Arrears	4.169	3.425	(0.744)	-17.8%
Debt Financing Costs	53.529	51.691	(1.838)	-3.4%
Debt Repayment	1.166	24.830	23.664	2029.5%
Contributions for Capital Investment	75.143	54.014	(21.129)	-28.1%
Total Expenditure	**287.035**	**283.758**	**(3.277)**	**-1.1%**
Rental Income (net of Voids)	(263.098)	(259.040)	4.058	-1.5%
Other Income/Service Charges	(23.937)	(24.718)	(0.781)	3.3%
Total Income	**(287.035)**	**(283.758)**	**3.277**	**-1.1%**

5.4 The cost changes on Debt Repayment and Contributions for Capital Investment elements substantially cancel each other out and relate primarily to increased funding of the Housing Capital Programme from housing capital receipts generated through the sale of properties on the open market as a part of the Birmingham Municipal Housing Trust (BMHT) programme.

6. HRA Business Plan 2017+ – Short Term and Long Term Financial Evaluation

6.1 The revenue aspects of the HRA Business Plan 2017+ are summarised in Table 4.2

Table 4.2 HRA Business Plan 2017+	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**	**10 Year £m**
Repairs	64.460	64.475	64.176	668.684
Local Housing Costs	68.360	64.757	64.654	670.894
Estate Services Costs	16.978	18.300	18.813	199.909
Arrears	3.425	3.631	3.637	39.401
High Value Voids Tariff	0.000	5.168	5.078	49.245
Debt Financing Costs	51.691	50.679	50.625	501.268
Debt Repayment	24.830	11.264	2.697	138.046
Contbns for Capital Investment	54.014	61.591	66.048	683.115
Total Expenditure	**283.758**	**279.865**	**275.728**	**2,950.562**
Rental Income (net of Voids)	(259.040)	(254.854)	(250.393)	(2,687.543)
Other Income/Service Charges	(24.718)	(25.011)	(25.335)	(263.019)
Total Income	**(283.758)**	**(279.865)**	**(275.728)**	**(2,950.562)**

7. Capital Programme

7.1 The capital expenditure plans for the council housing stock are set out in Table 4.3 (including the major programmes and the financing of expenditure). The capital investment strategy is based on ensuring that the properties continue to be maintained in their improved condition in order to promote strong and stable neighbourhoods and the provision of new social and affordable rented housing to meet the continuing demand and need for new homes.

Table 4.3 Capital Expenditure	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**	**Total £m**
Housing Improvement Programme	56.000	55.997	56.629	168.626
Adaptations	3.351	3.418	3.487	10.256
New Build and Regeneration	76.941	54.590	44.014	175.545
Other Programmes	1.504	1.514	1.524	4.542
Total	**137.796**	**115.519**	**105.654**	**358.969**
Funded by:				
Revenue Contributions	(54.014)	(61.591)	(66.048)	(181.653)
Receipts / Grants	(48.298)	(34.928)	(20.606)	(103.832)
Disposals to InReach	(19.000)	(19.000)	(19.000)	(57.000)
Other Resources inc Reserves	(16.484)	0.000	0.000	(16.484)
Total	**(137.796)**	**(115.519)**	**(105.654)**	**(358.969)**

Chapter 5 - Capital Resources

1. Summary

1.1 The Capital Programme is financed predominantly from prudential borrowing, Government Grants and other contributions, HRA resources, and capital receipts. Capital receipts are also used to fund Equal Pay settlements and projects under the Government's capital receipts flexibility scheme.

2. Capital Resources

2.1 Resources of £918.9m have been identified to fund the City Council's three year Capital Programme from 2017/18 to 2019/20. These are summarised in Table 5.1 and can be divided into specific resources and corporate resources.

Table 5.1 - Financing the Capital Programme

	2017/18	2018/19	2019/20	Total
	£000s	£000s	£000s	£000s
Specific Resources				
Government Grants & Contributions	158,856	93,407	8,260	260,523
HRA Revenue Resources & Reserves	54,014	61,591	66,048	181,653
Other Specific Revenue Resources	9,207	31	0	9,238
HRA Capital Receipts	36,535	11,946	12,339	60,820
Capital Receipts	38,240	13,000	0	51,240
Total Specific Resources	**296,852**	**179,975**	**86,647**	**563,474**
Corporate Resources				
Prudential Borrowing	167,376	97,031	90,998	355,405
Capital Receipts	0	0	0	0
Total Corporate Resources	**167,376**	**97,031**	**90,998**	**355,405**
Total Resources	**464,228**	**277,006**	**177,645**	**918,879**

3. Specific Resources

3.1 Specific capital resources total an estimated £563.5m over all three years and represent funding which has been obtained for a particular purpose - e.g. specific Government Grants, developer contributions, HRA revenue resources and HRA Right to Buy capital receipts. These projects are added to the capital programme on a rolling basis as the resources are awarded to the City Council and as HRA revenue resources and capital receipts become available.

3.2 The largest component of specific resources is Government Grants and other capital contributions, for which the City Council is budgeting to receive £260.5m over the three year capital programme. The Government continues to support a number of major investment programmes in local authority assets. For the City Council this includes grants for Education Basic Needs (school places). These programmes will form a significant part of the capital investment undertaken by the City Council in the next few years.

3.3 Details of all capital grants and contributions that have been budgeted for in 2017/18 to 2019/20 are detailed in Appendix 10.

3.4 The Government also supports capital investment in the Highways Maintenance and Management PFI through revenue grant but as the City Council does not directly incur capital expenditure, PFI is not part of the capital resources shown in table 5.1 above.

3.5 HRA revenue contributions of £181.7m and HRA capital receipts of £60.8m are planned to support capital investment in the HRA Business Plan, in accordance with the self-financing reform of housing introduced by the Government in 2012/13.

3.6 Capital receipts of £51.2m are budgeted in 2017/18 and 2018/19 to help fund revenue reform and redundancy costs required to deliver the City Council's savings proposals, in accordance with the capital receipts flexibility announced in the Government's 2015 Autumn Statement.

3.7 Other specific revenue resources of £9.2m are programmed to support capital investment across a number of minor schemes.

4. Corporate Resources

4.1 Corporate capital resources presently assumed for the programme total £355.4m over the three years. These represent resources which the City Council has more freedom to allocate to meet its own policy priorities and expenditure commitments.

4.2 The City Council's capital financing plans seek to use capital resources in the most efficient way to finance the City Council's needs. This is expected to include using borrowing to provide general support to the Capital Programme. All of the £355.4m corporate resources assumed in this Programme therefore are from prudential borrowing. Final decisions as to how best to fund the capital programme are taken as part of the capital outturn process at the end of the year. The capital strategy (Chapter 6) sets out a prudent policy in relation to future borrowing.

4.3 Capital receipts are expected to be used to finance capital expenditure, including capitalised revenue costs under the Government’s capital receipts initiative. Capital receipts are also used to fund debt redemption in accordance with the Council’s MRP Policy, and to fund Equal Pay settlements. The financial implications of the funding of Equal Pay settlements have been included in the Budget, and in the Long Term Financial Plan in relation to later years. This takes account of borrowing costs and loss of income or other costs arising from asset sales.

CHAPTER 6 - CAPITAL STRATEGY AND PROGRAMME

1. Summary

1.1 This chapter outlines the general principles, strategy, policies and considerations which guide the City Council's capital planning, in terms of both expenditure and how it is resourced. It also sets out the proposed Capital Programme 2017+.

1.2 The City Council has an extensive three year Capital Programme which totals £918.9m, of which £464.2m is budgeted in 2017/18.

1.3 Given the continuing constraints on corporate capital resources, the emphasis is on seeking external funding where possible for new initiatives. The City Council will be placing an increased emphasis on working with the WMCA, community, business and other public sector partners across Birmingham and the region to deliver improved investment outcomes for its residents.

1.4 The City Council also recognises the strategic and financial value of its property assets, and it will seek to use its property to support the delivery of its infrastructure priorities.

1.5 The City Council is increasingly planning long term investment programmes such as the EZ and High Speed 2 (HS2) Curzon Infrastructure, and long term HRA housing development. Appendix 12 summarises the ten year capital programme where proposals are in place and resources are reasonably identifiable.

1.6 The previous chapter set out the forecast capital resources available over the next three years. This chapter sets out the proposed Capital Strategy and Programme in this context.

1.7 Capital resources and projects are identified and approved throughout the year. A revised Capital Programme is approved quarterly by Cabinet, so the programme outlined here represents the latest quarterly update of a constantly developing investment programme.

2. Strategic Capital Planning

2.1. General Principles for Capital Planning

2.1.1 There are some general strategic principles underlying capital planning for all services. These are to:

- Integrate capital planning into the City Council's overall strategic planning, both in general and as part of this Financial Plan.

- Maximise external funding and to supplement this with the City Council's own resources where appropriate, especially where external funding supports the City Council's priorities

- Procure the use of capital assets where this is affordable and delivers best value for money to the City Council, including a robust process for the appraisal and approval of capital projects and programmes (the 'Gateway' process)

- Work with partners, including the community, businesses and other parts of the public and voluntary sector, whilst retaining clear lines of accountability and responsibility

- Relate capital resources and expenditure planning to asset planning

2.2. Strategic Context and Priorities

2.2.1 The City Council's overall objective for capital planning is to use its capital and assets to deliver the City Council's policy priorities, and in particular to support the development of Birmingham's infrastructure to address the needs and opportunities of the future.

2.2.2 The City Council's role as direct provider of capital infrastructure is likely to diminish as its role as influencer and partner in region-wide infrastructure planning increases. In particular, the year ahead is expected to build on recent successes in working with others to deliver physical investment. In particular, the City Council will continue to work with Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) and with the WMCA to deliver the investment proposals across the LEP and in the Government's devolution deal and to seek further devolution to the region.

2.2.3 The City Council will continue to identify inward investment opportunities both for its own capital programme and for business in Birmingham, building on the developing relationship with investors such as Country Garden in China.

2.2.4 The City Council's land and buildings represent a valuable resource which can be used to support outcomes both strategically and locally. The City Council will seek to use its assets to the full to deliver its priority outcomes as appropriate in each case. This will include using its landholdings to work with developers and investors, such as the successful model delivering development at Curzon, Smithfield, and other key regeneration sites, as well as the models for housing development using Birmingham Municipal Housing Trust (BMHT) and InReach (the Council's private rented sector housing vehicle). It will also work with communities and local partners to understand how its land and property opportunities can best contribute at the local level.

2.2.5 The City Council will use its capital resources and assets to support the delivery of its overall plans. This will respond in particular to the overall need for service change and delivery in future years in the context of reducing revenue resources. It will also ensure that resources are identified to meet the costs of Equal Pay settlements and use of the Government's capital receipts flexibility scheme.

2.2.6 The Major Service Asset and Capital Strategies for individual services (Appendix 9) seek to identify the main plans at service level for strategically aligned and affordable asset use and capital investment. These relate as appropriate to the service plans and savings proposals contained throughout this Financial Plan.

2.3. Prudential Borrowing and Debt

2.3.1 CIPFA's Prudential Code sets a framework to:

- Ensure that capital expenditure plans are affordable
- That any City Council borrowing and other long term liabilities are within prudent and sustainable levels
- That treasury management decisions are taken in accordance with professional good practice.

2.3.2 The City Council has adopted the Prudential Code, and will use borrowing in accordance with the 'Prudential' system as a tool for delivering policy and managing its finances. Local authorities may borrow to finance capital expenditure, and the affordability of debt is the key constraint. The use of borrowing will be focussed on projects which can meet the borrowing costs from additional income or savings. Borrowing is also influenced by Government policy (e.g. the £336m additional Housing debt resulting from the reform of housing finance in 2012). The City Council sets and monitors prudential indicators (including local indicators) to manage its debt exposures.

2.3.3 Prudential borrowing continues to be the main resource available to fund the Council's own priorities where external funding cannot be obtained. The cost of borrowing is generally recharged to the service concerned, which recognises that borrowing is not a free resource, but has a revenue cost.

2.3.4 An analysis of capital projects and programmes funded by prudential borrowing is attached at Appendix 13.

2.3.5 Section 5 below considers the Prudential Borrowing Limit, and Appendix 14 sets out the full Prudential Indicators.

2.4. Debt Repayment Policy: the Annual MRP Statement

2.4.1 Local Authorities are required by law to make prudent provision in relation to capital debt repayment (known as "Minimum Revenue Provision" or MRP). Government Guidance requires the full Council to approve a statement of its policy on MRP. The City Council's proposed policy is attached at Appendix

15. No material changes to the previous policy are proposed.

2.4.2 The City Council's MRP Policy is key to managing debt liabilities and generating the potential for headroom for new borrowing if affordable and required. The loan debt revenue repayment provision in this Financial Plan amounts to £150m in 2017/18 and £144m in 2018/19. The HRA revenue repayment provision has been revised in accordance with the HRA Business Plan set out in Chapter 4.

2.5 The Approved Capital Budget and Business Case Appraisal

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

2.6 Asset Sales and Capital Receipts

2.6.1 All land and buildings which are surplus to existing use will be reviewed under Property and Assets Board arrangements, before any executive decision is made, to ensure the re-use or disposal of the asset provides best value in supporting the City Council's objectives. The City Council's general policy is that assets will be disposed of for cash at the best market value. Exceptions to this policy may be approved by Cabinet.

2.6.2 This Financial Plan continues the existing arrangements which give services the revenue benefit from appropriate service operational property sales, in order to incentivise the rationalisation of property holdings. The revenue benefit is currently estimated at 6.4% of the capital receipt per annum for receipts received in 2017/18, based on the saving to the City Council if the receipt is used to repay debt. This policy enables services to receive the revenue benefit from rationalising their property use as well as supporting the repayment of the City Council's debt. The rate is periodically updated to remain consistent with interest and annuity rates used for prudential borrowing recharges. The revenue benefit might for example offset any loss of income arising to the service from selling an income-generating property. Statutory requirements or existing legal agreements relating to the use of capital receipts will be unaffected. Some properties which are not in normal service delivery use are not part of this policy, including the commercial property portfolio and property held for regeneration purposes. Separate statutory arrangements apply to HRA capital receipts and land appropriations. Detailed arrangements will be overseen by the Strategic Director - Finance & Legal.

2.6.3 Capital receipts will be used to finance capital expenditure, including capitalised revenue costs under the Government's capital receipts initiative.

Capital receipts are also used to fund Equal Pay settlements, and for debt redemption in accordance with the City Council's MRP Policy.

2.6.4 As a general principle, land no longer required for its existing use should be declared surplus so that options about its future use or sale can be reviewed by the Property and Assets Board before proceeding for formal decision. In particular, to ensure that the best value outcome for the City Council is obtained, proposals by a service to appropriate land for a different purpose to its existing use will be considered.

2.6.5 The City Council is also encouraging community engagement in the delivery of priority local public services using Council property assets. In support of this the City Council may be prepared to sell its assets at less than best value to third sector organisations which have the capabilities to use the assets to provide agreed services, in accordance with arrangements for Community Asset Transfers of property (CATs). It is recognised however that sales at less than best price may reduce the capital receipts available to fund other City Council needs and policies. Accordingly, proposed land sale discounts including CATs are reviewed by the Property and Assets Board before proceeding for formal decision. CAT proposals will be assessed through a 'triage' process at an early stage, in order to identify those proposals which have a strong fit with the City Council's key strategic priorities, and which have a reasonable prospect of success. Other properties, and CAT proposals which have been unsuccessful, will proceed for sale on the open market.

3. Development of the Capital Programme

3.1 Capital expenditure funded from specific grants and contributions amounts to £260.5m in the three year Capital Programme (Appendix 10). Capital expenditure which is financed from specific grants and contributions has been included in the Capital Programme based on available information at the time of preparation. Additional projects are likely to be added to the budget during the year as and when resources become available. Given that the potential for further corporate funding will be limited, the main focus will be on obtaining external funding.

3.2 The proposed Capital Programme includes £355.4m financed from borrowing over the three year Capital Programme period, of which £219.8m is self-financed from additional revenue income or savings. This includes major commitments from earlier decisions including funding for the EZ Investment Plan and the Curzon Street MasterPlan – see Appendix 13.

3.3 Final decisions on the funding of the Capital Programme will be taken by Cabinet in the Outturn report after the end of the financial year.

4. Total Capital Programme

4.1 The Capital Programme is revised by Cabinet on a quarterly basis taking account of new projects and new resources available. The additions to the Capital Programme, since last reported to Cabinet at Quarter 2 2016/17, are set out at the end of Appendix 11. The main additions relate to new InReach projects for the Housing Private Sector (£97.3m) and the addition of future HRA resource allocations (£23.7m). The updated Capital Programme is reflected in Table 6.1.

Table 6.1 - Capital Programme by Directorate

Table 6.1 - Capital Programme by Directorate				
Capital Expenditure	**2017/18**	**2018/19**	**2019/20**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
People				
Adults & Communities	13,275	5,279	-	18,554
Children, Young People & Families	66,380	51,551	-	117,931
Place				
Non Housing Services	38,375	551	-	38,926
Housing HRA	137,796	115,519	105,654	358,969
Housing Private Sector	50,254	30,758	25,747	106,759
Economy				
Planning & Regeneration	60,380	32,934	36,695	130,009
Transportation	33,563	10,036	25	43,624
Highways	4,418	1,205	-	5,623
Corporate Resources				
Corporate Resources	59,787	29,173	9,524	98,484
Total Programme	**464,228**	**277,006**	**177,645**	**918,879**

4.2 Appendix 11 provides a summary of the projects in the above Programme, and Appendix 9 summarises the capital and assets strategies and projects for major services.

4.3 Appendix 12 reports the longer term 10-year view of the capital programme (see para 1.5 above). The appendix includes programmes such as the HRA capital programme, Housing Private Sector schemes, the EZ and Curzon Street Master Plan.

4.4 In the coming year the City Council will continue to work closely with its partners in the WMCA to deliver the Devolution Deal agreed with the

Government. The Devo Deal bid proposed an investment package of around £8bn across the West Midlands and associated Local Enterprise Partnership (LEP) areas.

4.5 The City Council also works increasingly with other partners to deliver capital investment in Birmingham in ways which are not necessarily reflected in the City Council's own budget. This includes acting as Accountable Body to manage resources and projects on behalf of others, in particular for the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) and for Government Departments, and this funding is also in addition to the City Council's own capital programme. Where this has been supported by City Council borrowing, this has been allowed for in the Prudential Limit as required by the Prudential Code.

5. Prudential Code and Indicators

5.1 In determining the capital budget, the CIPFA Prudential Code expects local authorities to take account of various matters and to consider and approve a number of 'prudential indicators'. These relate to the capital programme generally as well as borrowing. The Prudential Indicators at Appendix 14 take account of the above capital budget.

5.2 The City Council's proposed Prudential Limit retains some limited scope for new prudential borrowing over and above what is included in the proposed capital programme, for example where subsequent business cases demonstrate that revenue costs can be met from additional income or savings, and to ensure the City Council has some resources for essential capital works and key priorities.

5.3 The Prudential Limit for Debt represents the statutory Authorised Limit for the City Council, which must not be exceeded. Authorities should therefore allow for risks, uncertainties, and potential changes during the year which will need to be accommodated within this overall limit. In particular, the proposed limit for 2017/18 allows for:

- Borrowing to finance capital expenditure
- Borrowing to fund an advance pension contribution payment described in the Treasury Strategy chapter below
- Other forecast cashflow movements during the year and potential day-to-day fluctuations in debt levels
- Revenue provisions to repay debt and
- Changes in other long term debt liabilities, primarily capital expenditure under the Highways Maintenance PFI.

5.4 Taking these factors into account, the Prudential Limit for Debt has been set at £4,700m for 2017/18 falling to £4,500m in 2019/20. The higher figure in 2017/18 is largely due to the three-year pension advance payment, and the effect of this on debt levels is removed by the end of 2019/20. The limit is calculated as follows:

Table 6.2
Forecast debt and Authorised Prudential Limit based on the current capital programme

	2017/18 £m	2018/19 £m	2019/20 £m
Forecast opening gross loan debt	3,250	3,828	3,658
Capital expenditure financed from borrowing			
- Self Funded	103	56	61
- Requiring budget support	65	41	30
Other cash flows	560	(123)	(120)
Less loan debt revenue repayment provision	(150)	(144)	(132)
Forecast closing gross loan debt	**3,828**	**3,658**	**3,497**
Closing PFI and similar debt liabilities	471	449	432
Forecast closing debt (loans, PFI, etc)	**4,299**	**4,107**	**3,929**
Allowance for planned cashflows, day to day fluctuations and other potential borrowing	401	493	571
Authorised Prudential Limit for Debt	**4,700**	**4,600**	**4,500**
Analysis of forecast closing debt:			
General Fund Debt	**3,201**	**3,020**	**2,845**
HRA Debt	**1,098**	**1,087**	**1,084**

5.5 Appendix 13 analyses planned prudential borrowing between projects which are self-financed through additional income or savings, borrowing to support the financing of Equal Pay, and projects whose borrowing requires additional budget support. The Prudential Indicators do not make this distinction between debt which is self-financed and debt which requires net revenue support from City Council resources. The City Council's revenue budget includes provision to meet the net cost of all the above borrowing.

5.6 Use of prudential borrowing in the next few years will be constrained by the City Council's financial position and the need to maintain the sustainability and affordability of its debt position, and close control will be exercised over all prudential borrowing for new projects. Services generally meet the costs of prudential borrowing they propose from within their current and forecast net revenue budget.

5.7 HRA borrowing will also continue to be constrained during 2017/18 by the statutory HRA debt cap. Although the Government has agreed a limited relaxation to the Council's HRA debt cap, this represents only a small increase.

CHAPTER 7: TREASURY MANAGEMENT STRATEGY

1. Summary

1.1 This chapter sets out the proposed Treasury Management Strategy for 2017/18 given the interest rate outlook and the City Council's treasury needs for the year, and in accordance with the Treasury Management Policy at Appendix 16.

1.2 A balanced strategy is proposed which maintains a significant short-term and variable rate loan debt in order to benefit from continuing low short-term interest rates, whilst taking some fixed rate borrowing to maintain an appropriate balance between the risks of fixed rate and short-term / variable rate borrowing. The balance between short- and long-term funding will be kept under review by the Strategic Director - Finance & Legal, and will be maintained within the prudential limit for variable rate exposures.

1.3 Separate loans portfolios are maintained for the General Fund and the HRA. Separate treasury strategies are therefore set out below where relevant. [1]

2. Treasury Management Policy and Objectives

2.1 The Treasury Management Policy (Appendix 16) sets the City Council's objectives and provides a management and control framework for its Treasury Management activities, in accordance with CIPFA's Code of Practice for Treasury Management in the Public Services.

2.2 For the City Council, the achievement of high returns from treasury activities is of secondary importance compared with the need to limit the exposure of public funds to the risk of loss.

2.3 These objectives must be implemented flexibly in the light of changing market circumstances.

3. City Council Borrowing Requirement

3.1 Table 7.1 shows the amount of new borrowing required to be obtained in each of the next three years, taking account of the proposals in this Financial Plan and the amount of existing loans which are repaid and need replacement:

[1] This Strategy relates to loan debt only. Other debt liabilities relating to PFI and finance leases are not considered in this Strategy, and are managed separately. Throughout this Financial Plan, debt and investments are expressed at nominal value, which may be different from the valuation basis used in the statutory accounts.

Table 7.1 - Forecast Borrowing Requirement

	2017/18 £m	2018/19 £m	2019/20 £m
Forecast gross loan debt	3,827.5	3,657.8	3,496.5
Forecast treasury investments	(40.0)	(40.0)	(40.0)
Forecast net loan debt	3,787.5	3,617.8	3,456.5
of which:			
existing long term loans outstanding	2,786.5	2,741.5	2,706.5
Short term investments working balance	(40.0)	(40.0)	(40.0)
Required new/ replacement loan balance	1,041.0	916.3	790.0
	3,787.5	3,617.8	3,456.5

3.2 The treasury figures are shown on the basis that the City Council agrees to pay three years of pension contributions to the West Midlands Pension Fund in advance, in April 2017, in return for a discount in the amount which is paid. The three years' contributions relate to 2017/18 to 2019/20 and are estimated to total £403.9m and the discount for up-front payment is £28.8m, resulting in an estimated net payment of £375.1m in April 2017. The discount produces a revenue saving which is accounted for over the three years, which is partially offset by the cost of borrowing to meet the advanced cashflow.

3.3 The effect of the advanced cash payment in 2017/18 followed by two years with no payment is to temporarily increase the City Council's debt outstanding in 2017/18, reducing back to the underlying debt level by 2019/20. This is reflected in Table 7.1. It results in an increased borrowing need in 2017/18, but for a period of up to three years only.

3.4 This strategy sets out how the City Council plans to obtain the required new borrowing shown above.

3.5 The City Council has borrowed £166.4m 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. All options have the potential to be exercised during the coming two financial years (£76.4m in 2017/18, £90.0m in 2018/19). This would increase the City Council's required loan refinancing needs, but is considered unlikely to happen in the current market environment.

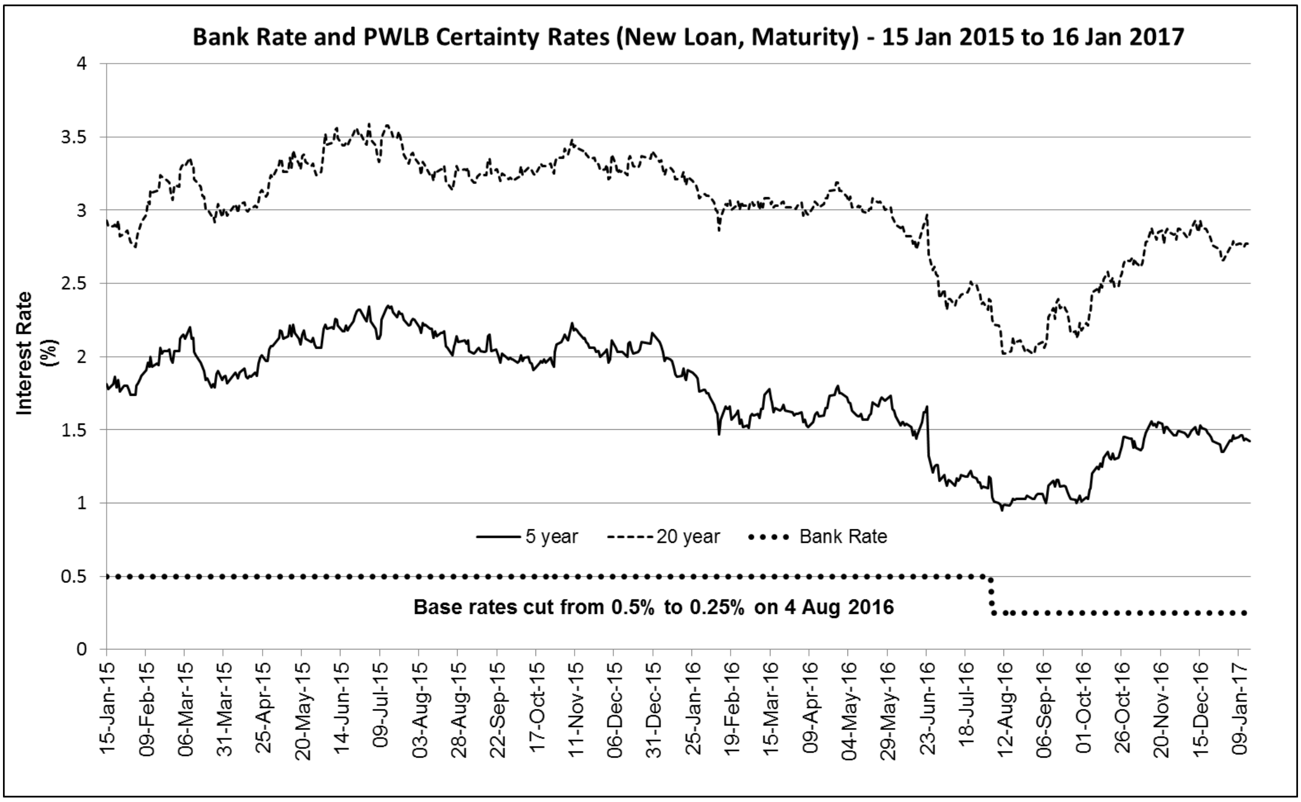
4. Interest Rate Outlook

4.1 There are many external influences weighing on the UK, and forecasts are heavily dependent on economic and political developments elsewhere. There is likely to be continued major volatility in bond yields, something seen in 2016/17, as investor fears and confidence shift and the demand for safe havens change.

4.2 The long run trend appears to be for gilt yields and Public Works Loans Board (PWLB) rates to rise slowly. An eventual world economic recovery may see investors shifting back from safe haven bonds to equities. But in the meantime, while there is considerable uncertainty particularly over the final terms and impact of Brexit, it is anticipated that short-term interest rates will remain largely unchanged during 2017/18, and long-term rates are also forecast to remain close to current levels, with a risk towards a modest increase.

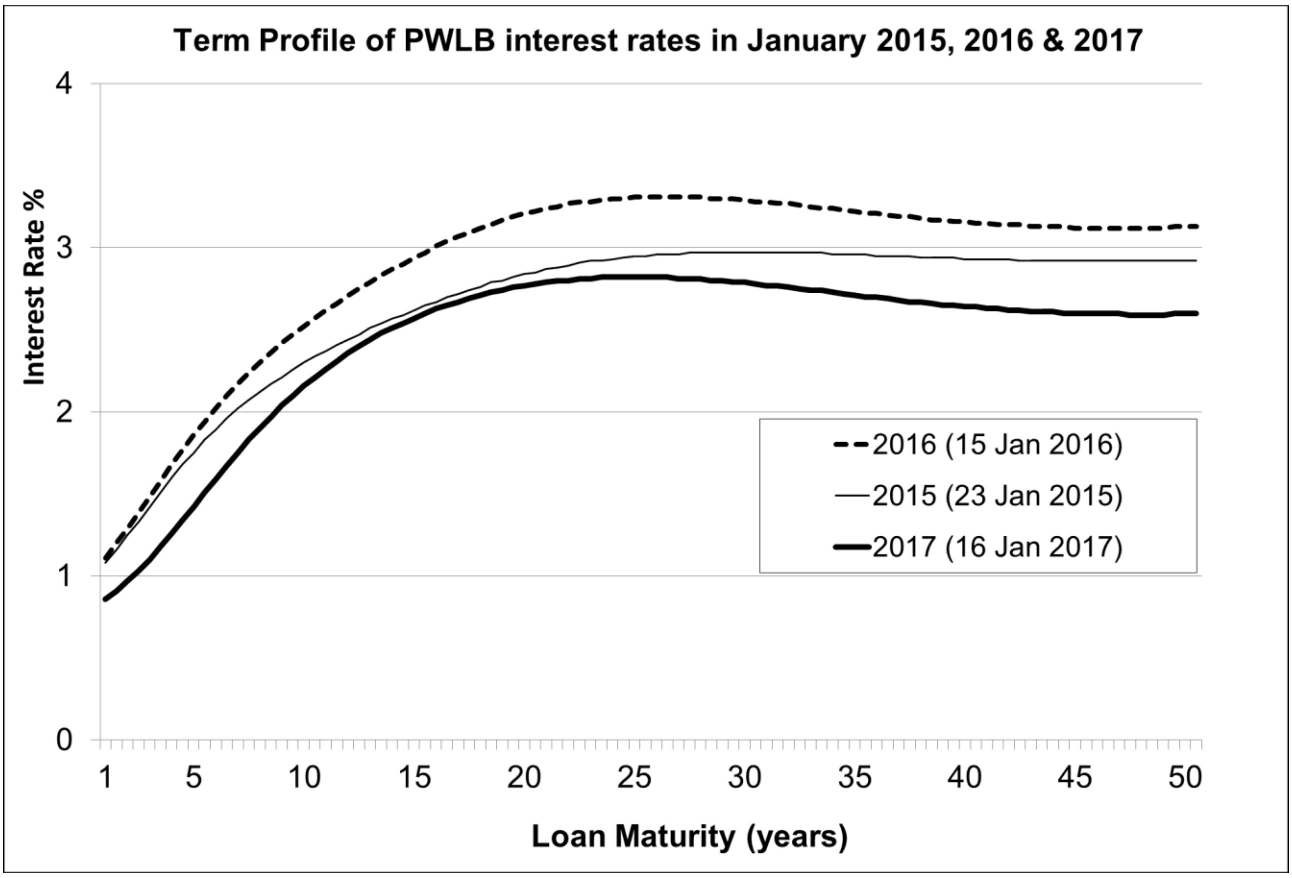
4.3 The table below shows how base rates and long-term rates from the PWLB have moved since January 2015 – although past performance is, of course, not necessarily a guide to the future.

Table 7.2



4.4 Table 7.3 shows PWLB loan rates in January 2015, 2016 and 2017. The cost of fixed rate borrowing is below rates in both 2015 and 2016, and continues to increase steeply from one year rates to ten year rates:

Table 7.3



4.5 Upside risks to UK interest rates in 2017/18 include the following:

- Increases in the funds rate of the Federal Reserve System (the central bank of the USA), causing investors to review the relative risks of holding bonds vs. equities and leading to a flight from bonds to equities
- UK inflation returning to higher levels, causing an increase in the inflation premium inherent in gilt yields.

Downward pressures on UK interest rates include:

- Weakness in the UK economy and the UK's main trading partners – the EU and USA
- Increases in inflation weaker than currently anticipated
- A resurgence of the Eurozone sovereign debt crisis and weak capitalisation of some European banks
- Geopolitical risk in Europe, the Middle East and Asia, which could lead to increasing safe haven flows.

5. Sources of borrowing

5.1 The City Council is able to borrow from the PWLB at its ‘certainty rate’ at approximately 0.8% above gilt yields. The Government has consulted on a ‘local infrastructure rate’ set at 0.6% above gilts, for borrowing to fund infrastructure costs, subject to business case approval by the Government. This may be available to fund part of the City Council’s borrowing needs.

5.2 The City Council actively reviews market developments and will seek to develop innovative funding solutions if better value may be delivered. This may include other sources of long-term borrowing if the terms are suitable, including private placements, bilateral loans from banks, local authorities or others, loans from the European Investment Bank, or loans from the Municipal Bonds Agency.

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

6. 2017/18 Strategy: HRA and General Fund

6.1 The HRA inherited a largely long-term fixed rate debt portfolio at the start of the current HRA finance system in 2012, and its debt is capped in accordance with statutory HRA debt limits. For the next three years from 2017/18, its debt is not changing significantly in line with the current HRA Business Plan. No new long-term borrowing for the HRA is therefore currently planned.

6.2 For the General Fund, a balanced strategy is proposed which maintains a significant short-term and variable rate loan debt in order to benefit from current low short-term rates, whilst taking some long-term fixed rate borrowing to limit the City Council’s exposure to increases in short-term and variable interest rates. A short-term and variable rate debt of around £500.0m has been assumed for budgeting purposes, with the balance being borrowed long-term (i.e. for periods of one year or more). This results in new long-term borrowing of £500.0m in 2017/18, part of which is to fund the advance pension contribution payment of £375.1m in April 2017. Short-term and variable rate exposures remain within the 30% prudential limit set out in Appendix 14d.

6.3 Based on this strategy, the following table summarises, for the City Council as a whole, the new long-term and short-term borrowing proposed to fund the required new or replacement borrowing each year:

Table 7.4 - Proposed borrowing strategy

	2017/18	2018/19	2019/20
cumulative new borrowing:	£m	£m	£m
new long term loans - for additional expenditure	451.0	355.0	265.0
new long term loans - to replace existing maturities	49.0	45.0	35.0
total long term loans	500.0	400.0	300.0
new short term loans	541.0	516.3	490.0
Required new/ replacement loan balance	1,041.0	916.3	790.0

6.4 Of the £500.0m new long-term borrowing required in 2017/18, £375.1m is required only for a period of 1 to 3 years towards the funding of the advance pension contributions payment. The remaining £124.9m is planned to be taken at a spread of maturities appropriate to the Council's long-term debt liability profile.

6.5 The General Fund and HRA exposures to short-term and variable interest rates in accordance with the strategy are as follows:

Table 7.5

Forecast Variable Rate Exposure based on the proposed borrowing strategy

(taking account of debt maturities and proposed long term borrowing)	2017/18 £m	2018/19 £m	2019/20 £m
Housing Revenue Account			
Year end net exposure to variable rates	112.9	114.1	124.6
Closing HRA net loan debt	1,098.2	1,086.9	1,084.2
Variable exposure % of debt	10.3%	10.5%	11.5%
General Fund			
Year end net exposure to variable rates	533.0	497.1	462.2
Closing General Fund net loan debt	2,689.2	2,530.8	2,372.2
Variable exposure % of debt	19.8%	19.6%	19.5%
Year end variable interest rate assumption provided for in the budget	0.35%	0.50%	1.50%

6.6 The variable rate exposure means that a 1% rise in variable rates at the end of 2017/18 would cost an estimated £5.3m per annum for the General Fund and £1.1m per annum for the HRA. However, the budget provides for a potential increase in variable rates (as indicated above), which is considered to be prudent in this context.

6.7 The Policy Statement sets limits for exposure to variable rates of -30% (maximum net investments) to +30% (maximum net borrowing). These figures show that variable rate exposure is forecast to remain well within these limits.

6.8 This strategy therefore acknowledges the risk that maintaining a significant short-term and variable rate loan debt may result in increasing borrowing costs in the longer term, but balances this against the savings arising from cheaper variable interest rates. The Strategic Director - Finance & Legal will keep the strategy under close review during the year, in the light of the City Council's financial position and the outlook for interest rates.

6.9 The Treasury Management Prudential Limits and Indicators consistent with the above strategy are set out in Appendix 14, including a summary loan debt maturity profile.

6.10 The Treasury Management Strategy must be flexible to adapt to changing risks and circumstances. The strategy will be kept under review by the Strategic Director - Finance & Legal in accordance with treasury management delegations.

7. Treasury Management Revenue Budget

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

Table 7.6 - Treasury Management Revenue Budget

	2017/18	2018/19	2019/20
	£m	£m	£m
Net interest costs	140.8	147.7	155.3
Revenue charge for loan debt repayment	150.1	144.3	131.5
Other charges	1.3	(5.2)	(15.2)
Total	292.2	286.8	271.6
met by the HRA	76.4	61.8	53.2
met by other service budgets	96.8	101.8	96.4
met by corporate treasury budget	119.0	123.2	122.0
Total	292.2	286.8	271.6

7.2 The increase in budgeted interest costs in each year reflects a prudent view of borrowing costs and the cost of the additional borrowing in this Financial Plan. The advance pensions contribution in April 2017 and the associated discount are taken into account in Table 7.6. Actual interest costs will be affected not only by future interest rates, but also by the City Council's cash flows, the level of its revenue reserves and provisions, and any debt restructuring. These increased interest costs are netted off by the HRA borrowing plans.

8. Investments

8.1 The City Council has surplus cash to lend only for short periods, as part of day-to-day cashflow management and to maintain appropriate cash liquidity. Any such surplus cash is invested in high credit quality institutions and pooled investment funds. Money Market pooled funds are expected to continue to form a major part of the cash investment portfolio, as they are able to reduce credit risks in a way the City Council cannot do independently, by accessing top quality institutions and spreading the risk more widely.

8.2 Long-term investments of one year or more are not currently expected to be appropriate for treasury management purposes, as the City Council does not expect to have temporary surplus cash to invest for that length of time.

8.3 Changes in banking regulation are continuing to take place in order to address some of the issues arising from the banking crisis. In this context, the City Council's Investment Policy set out in the Treasury Management Policy at Appendix 16 continues to require a minimum credit rating which remains within 'investment grade' ratings. As market conditions continue to change during 2017/18, the investment strategy will be kept under review and adjusted accordingly.

9. Other Treasury Management exposures and activities

9.1 The City Council is supporting proposals to develop supply chain finance for the City Council's suppliers. This enables the City Council's suppliers to raise short-term finance based on invoices due from the City Council, and it is intended that the benefit of this can be passed down the 'supply chain' to subcontractors. Through this mechanism, the City Council is providing finance to participating suppliers. Repayment of the investments is assured by the City Council's own payment on the invoice due date, so there is no credit risk to the City Council. The City Council will also be prepared to provide supply chain finance through these arrangements in relation to invoices payable by other public bodies meeting the credit criteria in the Treasury Management Policy.

10. Advisers

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

11. Prudential Indicators for Treasury Management

11.1 The City Council is required under the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance in Local Authorities to set various Prudential Indicators for treasury management. These are presented in Appendix 14d.

LONG-TERM FINANCIAL PLAN 2017/18 – 2026/27

Long-Term Financial Plan 2017/18 - 2026/27										
	2017/18 £m	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**
Base Budget 2016/17	835.281	835.281	835.281	835.281	835.281	835.281	835.281	835.281	835.281	835.281
Pay & Price Inflation	10.349	26.728	42.540	62.019	79.690	97.594	115.610	134.228	153.521	172.676
Meeting Budget Issues and Policy Choices	109.795	128.025	146.880	149.986	155.943	165.188	175.815	185.741	195.506	205.707
Savings Plans	(70.895)	(133.605)	(164.838)	(171.356)	(171.356)	(171.355)	(171.352)	(171.346)	(171.339)	(171.330)
Corporate Adjustments:										
Net (Use or borrowing)/Repayment to Corporate Reserves	(27.102)	13.026	10.487	0.453	9.293	9.798	11.812	11.458	11.472	11.638
Corporately Managed Budgets	(10.848)	(14.510)	(9.262)	9.323	12.717	25.422	28.068	28.432	24.660	16.187
Changes in Corporate Government Grants	(24.777)	(40.511)	(62.290)	(62.971)	(63.633)	(64.309)	(64.998)	(65.701)	(66.417)	(67.149)
Total Net Expenditure	**821.803**	**814.434**	**798.798**	**822.735**	**857.935**	**897.619**	**930.236**	**958.093**	**982.684**	**1,003.010**
Business Rates	(394.654)	(408.420)	(423.937)	(433.829)	(443.759)	(453.938)	(464.370)	(475.064)	(486.025)	(497.260)
Top Up Grant	(123.463)	(82.196)	(48.834)	(49.920)	(50.976)	(52.053)	(53.152)	(54.272)	(55.416)	(56.581)
Council Tax	(308.545)	(324.588)	(331.709)	(338.986)	(346.424)	(354.024)	(361.791)	(369.728)	(377.840)	(386.129)
Collection Fund (Surplus)/Deficit Business Rates	9.911	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Collection Fund (Surplus)/Deficit Council Tax	(5.052)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Resources	**(821.803)**	**(815.204)**	**(804.480)**	**(822.735)**	**(841.159)**	**(860.015)**	**(879.313)**	**(899.064)**	**(919.281)**	**(939.970)**
Gap	**0.000**	**(0.770)**	**(5.682)**	**0.000**	**16.776**	**37.604**	**50.923**	**59.029**	**63.403**	**63.040**

BIRMINGHAM CITY COUNCIL REVENUE GRANTS

Grant	2016/17 Original Budget £m	2017/18 Budget £m	Variation £m	2018/19 Budget £m
Revenue Support Grant	226.587	0.000	(226.587)	0.000
Top Up Grant	127.067	123.463	(3.604)	82.196
Subtotal Core Grants	353.654	123.463	(230.191)	82.196
Small Business Rate Relief[1]	6.221	22.509	16.288	23.229
Other Section 31 Grant Relating to Business Rates[1]	4.785	7.853	3.068	8.104
New Homes Bonus Topslice: Returned Funding	0.750	0.810	0.060	0.000
New Homes Bonus	19.819	12.827	(6.992)	9.485
Adult Social Care Support Grant	0.000	5.625	5.625	0.000
Improved Better Care Fund	0.000	6.728	6.728	31.268
Subtotal Corporate Grants	31.575	56.352	24.777	72.086
Directorate Grants				
Public Health Grant	95.571	93.215	(2.356)	90.814
The Private Finance Initiative (PFI) - Highways	50.311	50.311	0.000	50.311
Better Care Fund	54.502	27.557	(26.945)	27.557
The Private Finance Initiative (PFI) - Education	18.232	18.232	0.000	18.232
Youth Employment Initiative	0.000	10.963	10.963	11.831
Birmingham Adult Education Services from Skills And Education Funding Agencies	10.758	10.533	(0.225)	10.533
Housing Benefit Administration Subsidy & Localising Council Tax Support Grant	7.678	7.451	(0.227)	7.451
Independent Living Fund	4.499	4.274	(0.225)	4.060
Troubled Families Grants	4.234	4.009	(0.225)	4.159
Business Growth Programme	0.000	3.434	3.434	3.306
Education Services Grant	12.092	3.254	(8.838)	0.000
Children's Trust Transition Funding	0.000	3.754	3.754	0.000
Illegal Money Lending Team	3.605	3.098	(0.507)	3.098
MAST/PE Teacher Release Funding	2.207	2.207	0.000	0.000
Youth Justice Board Grant	2.028	1.792	(0.236)	1.792
Community Safety Fund	1.873	1.873	0.000	1.873
Asylum Seekers	0.662	1.654	0.992	1.654
New Homes Bonus Affordable Homes Element	1.243	1.363	0.120	1.363
Special Educational Needs & Disabilities Implementation	0.898	1.002	0.104	0.000
Local Reform and Community Voices	0.754	0.766	0.012	0.766
Homelessness Trail Blazers	0.000	0.700	0.700	0.700
Home Office Prevent Programme	0.629	0.629	0.000	0.629
Universal Credit Funding	0.000	0.613	0.613	0.613

Grant	2016/17 Original Budget £m	2017/18 Budget £m	Variation £m	2018/19 Budget £m
European Capital of Running	0.529	0.529	0.000	0.000
Remand Framework Allocation	0.627	0.491	(0.136)	0.491
School Improvement & Brokering	0.000	0.479	0.479	0.821
Staying Put Grant	0.300	0.450	0.150	0.450
New Burdens DWP Welfare Reform Grant	0.342	0.393	0.051	0.393
Bikeability Grant	0.000	0.373	0.373	0.383
Individual Electoral Registration	0.000	0.370	0.370	0.000
Big Data Corridor	0.000	0.360	0.360	0.360
Wider Hospital & University Masterplan	0.000	0.322	0.322	0.000
Home Office Grant-Syrian Refugees	0.000	0.308	0.308	0.308
Scam Busters	0.261	0.265	0.004	0.265
Social Care in Prisons Grant	0.000	0.201	0.201	0.201
Rough Sleeper Grant	0.000	0.200	0.200	0.200
Direct Salaries Grant	0.186	0.186	0.000	0.186
West Midlands Strategic Migration Partnership	0.000	0.168	0.168	0.168
Fraud & Error Reduction Incentive Scheme	0.000	0.158	0.158	0.158
Supplier Excellence (ESF)	0.000	0.131	0.131	0.531
City 4 Age	0.130	0.130	0.000	0.000
Youth Justice Board - Junior Attendance Centre	0.000	0.116	0.116	0.116
Extended Rights to Free Travel	0.105	0.114	0.009	0.114
Natural England Grant for Higher Level Stewardship in Sutton Park	0.095	0.095	0.000	0.095
Heat Network Delivery Unit	0.000	0.090	0.090	0.000
Magistrates Grant	0.078	0.074	(0.004)	0.072
Green Fleet Task Group	0.000	0.067	0.067	0.000
Police and Crime Panel	0.066	0.066	0.000	0.000
Optimum	0.063	0.063	0.000	0.056
Smart Routing	0.000	0.062	0.062	0.000
Horizon 2020 ICT Big Data Research	0.000	0.062	0.062	0.000
Transition Towards Industrial Symbiosis	0.000	0.060	0.060	0.045
Climate Change KIC	0.150	0.050	(0.100)	0.000
Youth Music Programme	0.000	0.050	0.050	0.008
Pure Cosmos	0.000	0.046	0.046	0.046
Climate Change KIC - Energising Cities	0.000	0.045	0.045	0.188
Local Lead Flood Authority Grant	0.000	0.041	0.041	0.044
Climate Change - Coordinated Energy Pro-innovation Procurement Initiative	0.000	0.030	0.030	0.057
Urban Vital Cities	0.000	0.029	0.029	0.000
Natural England Grant for Higher Level Stewardship Grasslands	0.025	0.025	0.000	0.025
Arts Council England - Aston & Newtown Programme	0.000	0.025	0.025	0.000

Grant	2016/17 Original Budget £m	2017/18 Budget £m	Variation £m	2018/19 Budget £m
Single Fraud Investigation Service	0.000	0.024	0.024	0.024
Local Sustainable Transport Fund - Birmingham Cycle Revolution Promotion	0.000	0.019	0.019	0.000
Local Sustainable Transport Fund - Birmingham Cycle Revolution Education & Skills	0.000	0.012	0.012	0.000
Local Sustainable Transport Fund - Birmingham Cycle Revolution Business & Employment	0.000	0.012	0.012	0.000
Climate Change – Location Based Services & Augmented Reality Assistive System for Utilities Infrastructure Management	0.000	0.015	0.015	0.000
Transparency Code	0.000	0.013	0.013	0.013
Welfare Reforms - Reduce Temporary Absence outside GB	0.000	0.012	0.012	0.012
Welfare Reforms - Migrants Access to Benefits	0.000	0.012	0.012	0.012
Data Sharing Grant	0.000	0.012	0.012	0.012
Climate Change - Electrification of Public Transport in Cities	0.011	0.009	(0.002)	0.000
Natural England Grant for Higher Level Stewardship Lickey Hills	0.009	0.009	0.000	0.009
Welfare Reforms - Removal of Assessed Income Period	0.000	0.007	0.007	0.007
Data Sharing Grant - IT	0.000	0.007	0.007	0.007
Police and Crime Commissioner Grant	0.273	0.000	(0.273)	0.000
Opticities	0.200	0.000	(0.200)	0.000
Core Cities	0.179	0.000	(0.179)	0.000
Local Sustainable Transport Fund Contingency	0.128	0.000	(0.128)	0.000
Open Transport Network	0.060	0.000	(0.060)	0.000
Opti Cities European FP7	0.020	0.000	(0.020)	0.000
Arts Council England - Wardrobe Funding	0.008	0.000	(0.008)	0.000
Subtotal Directorate Grants	275.621	259.571	(16.050)	246.619
Expenditure Reimbursement Grants				
Mandatory Rent Allowances: Subsidy	345.749	345.849	0.100	345.849
Rent Rebates Granted to HRA Tenants: Subsidy	201.000	201.250	0.250	201.250
Discretionary Housing Payments (DHPs)	3.052	3.052	0.000	3.052
Higher Education Funding Council (HEFC)	0.736	0.736	0.000	0.736
Subtotal Expenditure Reimbursement Grants	550.537	550.887	0.350	550.887
Direct Schools Funding Grants				
Dedicated Schools Grant (DSG)	696.408	633.723	(62.685)	633.723
Pupil Premium Grant	57.887	52.500	(5.387)	52.500
Sixth Form Funding from Education Funding Agency	17.227	16.402	(0.825)	16.402
Universal Infant Free School Meals	10.088	10.088	0.000	10.088
Subtotal Direct Schools Funding Grants	781.610	712.713	(68.897)	712.713
Total Grants	1,992.997	1,702.986	(290.011)	1,664.501

1. Excludes grants payable to the Enterprise Zone

Further Information on Revenue Grants over £5m

Whilst the Core and Corporate Grants are considered in more detail within Chapter 2 further details of all the other revenue grants that exceed £5m are given below.

Public Health Grant - £93.2m

Since 1 April 2013 the City Council has been responsible for providing a range of public health services including sexual health, smoking cessation, drugs and alcohol abuse and promoting healthy lifestyles. On 1 October 2015, the Government also transferred the responsibility for commissioning 0-5 year old children's public health services from NHS England to Local Government. Funding is received by the City Council as a ring-fenced grant and is overseen by the Health and Wellbeing Board. Most of the funding is spent on services commissioned from NHS Trusts, Primary Care contractors, the Third Sector and the City Council.

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

The Department of Health confirmed the Public Health Grant allocations for 2017/18 on 18 December 2016. The amounts provided to Birmingham for the provision of Public Health services will be £93.2m in 2017/18, an overall reduction of £2.4m on the grant received in 2016/17. This decrease is in line with the general reduction in Public Health funding announced by the Government in June 2015 and the Spending Review in November 2015 and confirmed in the Public Health Grant announcement in February 2016.

Better Care Fund - £27.6m

The Better Care Fund (BCF) was announced in June 2013 to drive the locally-led transformation of services to ensure that people receive better and more integrated care and support. The fund has been made available to assist in the improved integration of health and social care services, including through pooled budget arrangements between local authorities and Clinical Commissioning Groups (CCGs).

For Birmingham, Cabinet in March 2014 endorsed the principle of a BCF joint pooled budget for Older Adult Social Care and health integrated provision between the City Council and local NHS CCG's.

Funding will continue into 2017/18, and it is estimated that £27.6m will be available to the City Council in that year. This is a decrease of £26.9m compared to 2016/17 budgetary assumptions.

Improved Better Care Fund (iBCF) - £6.7m

As set out in Chapter 2, in the Spending Review 2015 the Government announced that it will be making additional funding available to local authorities through the

Improved Better Care Fund; this becomes available from 2017/18, rising to £1.5bn nationally by 2019/20. For Birmingham, £6.7m is available in 2017/18, rising to £52.4m in 2019/20. The City Council's Financial Plan includes significant additional resources for Adult Social Care to meet the growing level of demand for such services and further savings arising from the continued drive to provide these services in the most efficient way. Therefore, whilst this additional iBCF resource is being treated as a corporate resource, it has been used to help address additional funding of care services, to part mitigate budgetary pressures in relation to demography and enable the considerable scaling back of the Adult Social Care savings programme.

Adult Social Care Support Grant - £5.6m

As set out in Chapter 2, the Government made changes to the New Homes Bonus scheme from 2017/18 which has resulted in a reduced grant to Birmingham. The Government has redistributed this top slice of grant to local government, to assist funding adult social care in the form of the Adult Social Care Support Grant. Local authorities will receive this in 2017/18 only.

Youth Employment Initiative - £11.0m

Youth Employment Initiative includes a range of Employment Pathway Projects across Birmingham and Solihull supported by the European Social Fund. From 2016/17 to 2018/19, the European Union is providing significant grant funding to assist the City Council and partner organisations in supporting individuals identified as Not in Employment, Education and Training into the workforce.

Birmingham Adult Education Services from the Skills and Education Funding Agencies – £10.5m

The City Council will receive a grant of £10.5m in 2017/18 to continue to provide Adult Life Long Learning Services (this includes the provision of an Adult Skills Programme and a Community Learning Programme for a diverse range of local people from the age of 18 years).

Housing Benefit and Council Tax Benefit Subsidy Administration Grant - £7.5m

The City Council will receive a base allocation from the Government of £7.5m in 2017/18. This is a reduction of £0.2m from the grant received in 2016/17. The cost of the service will be managed within this reduced resource envelope.

Private Finance Initiative Grants - £68.5m

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

Other Directorate Revenue Grants

In addition to the main grant funding streams, smaller specific grants continue to be received from Government. Services will need to manage within the level of grant that they receive. A full breakdown of all grants the City Council expects to receive in 2017/18 can be seen in the table at the start of this Appendix.

Schools Funding

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

- Dedicated Schools Grant - £633.7m
- Pupil Premium - £52.5m
- Education Funding Agency (EFA) - £16.4m
- Universal Infant Free School Meals - £10.1m

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

Schools' Funding Summary 2017/18

	DSG	Pupil Premium [3]	EFA - Post 16	Universal Infant FSM	Total
	£m	£m	£m	£m	£m
Schools Delegated	404.2	49.6	16.4	10.1	480.3
Early Years (includes central budgets) [1]	88.1	0.0	0.0	0.0	88.1
High Needs (includes central budgets) [2]	120.3	0.0	0.0	0.0	120.3
Schools Central budgets	21.1	2.9	0.0	0.0	24.0
Sub-Total – City Council	**633.7**	**52.5**	**16.4**	**10.1**	**712.7**
Academies & other Recoupment	506.2	40.8	0.0	3.2	550.2
Total	**1,139.9**	**93.3**	**16.4**	**13.3**	**1,262.9**

1. Early Years includes central budgets as the Early Years funding consultation has not yet finished and Schools Forum are required to approve all centrally held budgets (meeting 15th March 2017)

2. High Needs budgets includes central budgets as decisions have not been finalised and consultations with Schools Forum have not taken place to date.

3. Pupil Premium is per 2016/17 budget allocation from EFA and the Academies & other Recoupments figure reflects known conversions as at 31 October 2016. Pupil premium allocations for 2017/18 have not been published by the EFA.

Dedicated Schools Grant (DSG) - £633.7m

DSG is allocated to Local Authorities in three blocks and local authorities are allowed to vire between the three blocks to address any specific needs or pressures. The indicative amount announced for Birmingham is £1,139.9m. However, this includes funding for academies that will be recouped by the Education Funding Agency. The indicative estimate for recoupment is £506.2m which leaves the City Council with £633.7m grant for its maintained schools and eligible centrally managed commitments. Further academisation during 2017/18, over and above that estimated, will result in further recoupment and reduction in the grant paid to the City Council.

The three blocks through which DSG is allocated consists of:

- Schools block including Schools Centrally Held Budgets (covering provision in mainstream schools from Reception to Year 11). The 2017/18 notified allocation is £904.3m before recoupment and £425.3m (made up by £404.2m Schools Delegated and £21.1m Schools Central) after estimated recoupment. The Government is currently consulting on national funding changes with the aim of introducing a national funding formula from 2018/19
- Early Years block (covering nursery schools, nursery classes and Private, Voluntary and Independent sector providers of early years provision (PVIs). The 2017/18 indicative allocation is £88.1m (no recoupment applies). The Government has set out new national funding arrangements with the aim of equalising rates across all providers by 2019/20. The authority is currently consulting on implementation for 2017/18
- High Needs block (covering pupils with high needs – defined by the DfE as those requiring provision costing in excess of a given threshold. The 2017/18 indicative allocation is £147.5m before recoupment and £120.3m after estimated recoupment. The Government is currently consulting on changes in the way funding is allocated to local authorities from 2018/19

Given the national timelines underpinning DSG, the City Council will have finalised all its block allocations and budgets to schools and providers by 31st March 2017.

Pupil Premium Grant - £52.5m

Pupil Premium is allocated to provide additional funding for pupils in receipt of free school meals. It will apply to all pupils aged from 4 to 15 (year groups Reception to 11) who are:

1. Known to be eligible for free school meals (£1,320 per pupil in primary and £935 per pupil in secondary)
2. Looked After Children (£1,900 per pupil)

3. Children who have ceased to be looked after by a local authority in England and Wales because of adoption, a special guardianship order, a child arrangements order or a residence order (£1,900 per pupil)
4. Pupils whose parents are serving members of the armed forces (Service Children) (£300 per pupil)

As Pupil premium allocations for 2017/18 have not yet been published by the EFA the budget has been based on the 2016/17 allocation.

For groups 1, 3 & 4 allocations will be calculated on the basis of the January 2017 pupil census. Group 2 allocations will be calculated on the basis of the Children in Need census carried out on 31 March 2017. Academies receive their pupil premium allocations directly from the Education Funding Agency.

Education Funding Agency - £16.4m

It is estimated that the City Council will receive £16.4m in 2017/18 from the Education Funding Agency (EFA) to fund education and training of 16-19 year olds in sixth forms within schools.

Universal Free School Meal Grant - £10.1m

The grant was introduced for the 2014/15 Academic Year and is paid to schools to enable them to provide free school meals for pupils in Reception to Year 2. The City Council is currently assuming that the grant will continue into the 2017/18 Academic year. The £13.3m breaks down between £3.2m to Academies and £10.1m to the local authority.

Grants to Reimburse Expenditure - £550.9m

The City Council receives a number of grants to reimburse costs incurred, mainly in paying benefit claimants. Whilst these form part of the gross budget of the City Council, the level of expenditure is determined by claimant demand and eligibility. Payments made to claimants are closely matched by any grant received. The grants to fund benefit expenditure expected to be received by the City Council in 2017/18 can be seen in the table at the start of this Appendix.

Council Tax 2017/18

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

	City Council £m	Fire and Rescue Authority £m	Police & Crime Commissioner £m	New Frankley in Birmingham Parish Precept £m	Royal Sutton Coldfield Town Precept £m
City Council Net Budget	821.803				
Less: Business Rates and Top-Up Grant	508.206				
Equals: amount required from Collection Fund	**313.597**				
Less: estimated surplus in Collection Fund	5.052				
Equals: amount required from council tax payers	**308.545**	**13.939**	**28.433**	**0.046**	**1.833**
Divided by taxbase (Band D equivalent properties)	243,955	243,955	243,955	1,325	36,689
Equals: Band D Council Tax	**£1,264.76** *	**£57.14**	**£116.55**	**£34.73**	**£49.96**
Percentage Change in each element of Council Tax	4.99%	1.99%	4.48%	2.81%	0%
Total Band D Council Tax			**£1,438.45**	**£1,473.18**	**£1,488.41**

*The council tax attributable to the City Council includes a 3% precept to fund adult social care.

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

	City Council	Fire and Rescue Authority	West Midlands Police & Crime Commissioner	Total excl. Parish Precept	New Frankley in Birmingham		Royal Sutton Coldfield	
					Parish Precept	Parish Total	Town Precept	Town Total
	£	£	£	£	£	£	£	£
Band								
A	843.17	38.09	77.70	958.96	23.16	982.12	33.31	992.27
B	983.70	44.44	90.65	1,118.79	27.01	1,145.80	38.86	1,157.65
C	1,124.23	50.79	103.60	1,278.62	30.87	1,309.49	44.41	1,323.03
D	**1,264.76**	**57.14**	**116.55**	**1,438.45**	**34.73**	**1,473.18**	**49.96**	**1,488.41**
E	1,545.82	69.84	142.45	1,758.11	42.45	1,800.56	61.06	1,819.17
F	1,826.88	82.53	168.35	2,077.76	50.16	2,127.92	72.16	2,149.92
G	2,107.93	95.23	194.25	2,397.41	57.89	2,455.30	83.27	2,480.68
H	2,529.52	114.28	233.10	2,876.90	69.46	2,946.36	99.92	2,976.82

Investment in Policy Priorities and Pressures Schedule

Description	Type	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Corporate Resources Directorate					
Information and Communication Technology	Existing	2.156	2.097	2.086	2.075
Business Transformation Costs and Repayments	New & Existing	0.321	0.195	(0.013)	(0.171)
E23 - Information and Communication Technology	Prior year unachieved savings	1.541	1.595	(0.153)	(0.400)
CC19 - Revenue Services Transformation Programme	Prior year unachieved savings	0.300	0.300	0.300	0.300
CC21 - Universal Credit Changes permitting staff reduction in contact centre	Prior year unachieved savings	0.092	0.092	0.092	0.092
CC22 - Pay suppliers faster in exchange for discounts	Prior year unachieved savings	0.240	0.150	0.150	0.150
Sub-total Corporate Resources Directorate		**4.650**	**4.429**	**2.462**	**2.046**
Economy Directorate					
West Midlands Combined Authority Transport Levy[1]	Existing	(0.698)	(1.256)	(1.256)	(1.256)
Highways Maintenance Contract Pension Cost[4]	New & Existing	0.330	0.338	0.344	0.354
Local Land Charges	New	0.557	0.557	0.557	0.557
Highways Maintenance	Prior year unachieved savings	7.600	7.600	7.600	7.600
E3 - More closely aligned functions with partners in the public and private sectors from across the city region	Prior year unachieved savings	0.150	0.150	0.150	0.150
E34 - Planning Management	Prior year unachieved savings	0.272	0.272	0.272	0.272
E19 - Establish an Energy Services Company	Prior year unachieved savings	0.750	0.750	0.750	0.750
E2 - Reduce the Council's Energy Bill	Prior year unachieved savings	0.600	0.600	0.600	0.600
CC25 - Maximising opportunities for accounting for capital costs	Prior year unachieved savings	0.200	0.200	0.200	0.200
SN36 - Biodiversity Supplementary Planning Document	Prior year unachieved savings	0.022	0.022	0.022	0.022
WOC2 - Workforce Savings	Prior year unachieved savings	0.464	0.464	0.464	0.464
Sub-total Economy Directorate		**10.247**	**9.697**	**9.703**	**9.713**
People Directorate					
Adult Social Care Packages - Demographic & Other	New & Existing	19.321	27.821	36.321	44.821
Business Charter for Social Responsibility/Care Wage[2]	New & Existing	2.421	6.921	9.706	9.706
Deprivation of Liberty Safeguards	New	1.500	1.500	1.500	1.500
P2 - Adults – Business Transformation	Prior year unachieved savings	4.688	4.688	4.688	4.688
P4 - Changes in internal services – Older Adult Day Care & Elder Group	Prior year unachieved savings	0.097	0.097	0.097	0.097
P5 - Changes to internal services – Learning Disability Day Care	Prior year unachieved savings	0.250	0.250	0.250	0.250
P6 - Expansion of internal services – Shared Lives	Prior year unachieved savings	1.707	1.707	1.707	1.707
P7 - Changes in internal services – Home Care Enablement	Prior year unachieved savings	1.050	1.050	1.050	1.050
P9 - Joint Adults and Children's approach to transitions	Prior year unachieved savings	1.000	1.000	1.000	1.000
P2 - P9 Younger Adults Savings	Prior year unachieved savings	3.819	3.819	3.819	3.819
MIA10 - Redesign and integrate services at scale across the health and social care economy	Prior year unachieved savings	20.000	20.000	20.000	20.000
MIA14 - Introduce charges for Telecare and reducing spend on joint equipment contracts	Prior year unachieved savings	0.400	0.000	0.000	0.000
MIA16 - Internal Care Review - Occupational Therapy	Prior year unachieved savings	0.020	0.020	0.020	0.020
MIA17 - Internal Care Review - Home Care Enablement	Prior year unachieved savings	1.500	1.500	1.500	1.500
Subtotal Adults		**57.773**	**70.373**	**81.658**	**90.158**
Children's Social Care Investment	Existing	2.254	2.254	2.254	2.254
Corporate Support for reduction in Education Services Grant	New & Existing	5.646	8.900	8.900	8.900
Education PFI Affordability Gap	New	6.000	6.000	6.000	6.000
Children's Trust Governance	New	0.500	1.500	1.500	1.500
Travel Assist	New	2.000	0.000	0.000	0.000
Travel Assist	Prior year unachieved savings	0.421	0.421	0.421	0.421
Unachieved prior year Children's Savings	Prior year unachieved savings	2.686	2.686	2.686	2.686
Subtotal Children's		**19.507**	**21.761**	**21.761**	**21.761**
Sub-total People Directorate		**77.280**	**92.134**	**103.419**	**111.919**

1. Also linked to saving JS4a & b in Appendix 5
2. Also linked to saving HW6 in Appendix 5
3. Also linked to saving CC27 in Appendix 5
4. Pension cost as per Chapter 3 Section 5

Description	Type	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Place Directorate					
Sports & Leisure Service - Fall out of temporary corporate support	Existing	0.077	(0.661)	(1.421)	(1.796)
Wholesale Markets Business Case	Existing	1.107	0.905	0.535	0.246
LoCAL/Asset Rationalisation - Temporary staffing - fall out of temporary corporate support	Existing	(0.078)	(0.078)	(0.078)	(0.078)
Coroners - fall out of one off corporate support & income pressures	New & Existing	0.020	0.020	0.020	0.020
Waste Management Services to recognise the current operational costs of the service.	New & Existing	5.156	5.435	5.435	5.435
Demography Impacts on Waste Management services	New	0.500	1.000	1.500	1.500
Corporate Support for Licensing Services	New	0.700	0.700	0.700	0.700
Registrar Services - Income pressures	New	0.500	0.500	0.500	0.500
Library of Birmingham Cyclical Maintenance transfer of reserve to corporate account	New	(1.800)	(1.800)	(1.800)	(1.800)
Prudential borrowing costs of self service in Community Libraries[3]	New	0.174	0.174	0.174	0.174
Young Active Travel	New	0.300	0.100	0.000	0.000
Homelessness	New	3.000	3.000	3.000	3.000
Badminton Events	New	0.000	0.200	0.200	0.000
SN18 - Purchase of New Bins to Developers	Prior year unachieved savings	0.180	0.180	0.180	0.180
SN20 - Redesign Street Cleansing	Prior year unachieved savings	1.500	1.000	0.500	0.000
SN19 - Transfer Queslett Landfill Site	Prior year unachieved savings	0.269	0.269	0.269	0.269
PL40 - Strategic Management	Prior year unachieved savings	0.650	0.650	0.650	0.650
PL40c - Community Development	Prior year unachieved savings	0.492	0.492	0.492	0.492
SN50 - Community Safety	Prior year unachieved savings	0.800	0.800	0.800	0.800
Mitigation of the above six items	Prior year unachieved savings	(0.700)	(0.700)	(0.700)	(0.700)
Sub-total Place Directorate		**12.847**	**12.186**	**10.956**	**9.592**
Corporate					
Highways Infrastructure Maintenance	Existing	0.250	0.500	0.750	1.000
National Living Wage	Existing	0.000	0.101	0.365	0.365
Reduction in General Policy Contingency	Existing	(1.000)	(1.500)	(1.500)	(1.500)
Youth Offer	Existing	(1.000)	(1.000)	(1.000)	(1.000)
Reduction in Improvement Expenditure	New & Existing	(1.305)	(10.045)	(9.614)	(10.045)
Apprenticeship Levy	New & Existing	1.303	1.170	1.024	1.034
Autoenrolement Pension Scheme	New & Existing	0.300	0.300	0.300	0.300
Pension Fund Costs[4]	New & Existing	14.949	20.441	24.759	25.806
Carbon Reduction Commitment	New & Existing	0.014	0.036	(1.020)	(1.020)
Change in Revenue Cost of Redundancy	New & Existing	0.000	(0.424)	6.276	1.776
Capital Receipts Flexibility	New	(8.740)	0.000	0.000	0.000
Sub-total Corporate		**4.771**	**9.579**	**20.340**	**16.716**
Total Policy Priorities and Pressures		**109.795**	**128.025**	**146.880**	**149.986**

1. Also linked to saving JS4a & b in Appendix 5
2. Also linked to saving HW6 in Appendix 5
3. Also linked to saving CC27 in Appendix 5
4. Pension cost as per Chapter 3 Section 5

SAVINGS PROPOSALS

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
CORPORATE RESOURCES DIRECTORATE					
CC1 17+ / CC23 16+ / E23 16+ Implementation of ICT & D strategy to reduce spend on core IT infrastructure and development projects Through the implementation of the Council's new Information Technology and Digital (ICT & D) strategy it is expecting to realise savings in a number of areas. These will be achieved through tighter control and governance of its IT projects, an increase in partnership working with external organisations and by strategic investment in technologies that deliver savings to the Council. It will also commission an external review of its current IT service contract with Service Birmingham ahead of a re-negotiation. The aim is to reduce the cost of this contract to the Council. In addition, there will be ongoing savings in respect of lower debt servicing costs due to a reduction in capital expenditure.	New	(10.020)	(9.650)	(11.770)	(11.770)
	Existing	(0.900)	(0.700)	(0.400)	(1.260)
CC1 16+ Restructure the Corporate Communications Team Aligned with the FOM, the Council will look at Communications with a specific focus on creating a modern, efficient and integrated service.	Existing	(0.075)	(0.075)	(0.075)	(0.075)
CC3 17+ Bringing Revenues and Benefits service contract back in house The Council has implemented a decision from November 2016 to bring its Revenues Service back in house. It is expected that this will deliver efficiency savings to the Council and enable it to ensure that it meets deadlines and budget expectations around the collection of Council Tax and Business Rates.	New	(0.950)	(0.650)	(0.450)	(0.450)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
E22 16+ Revenues To redesign the way the client team works, ensuring effective focus on contract monitoring work. • To reduce printing, scanning and indexing costs. • To increase the cost of Council Tax and Business Rates Summons' to reflect the increased costs of this function. This is a fee Birmingham residents and businesses are charged if they are summonsed to court for not paying their Council Tax or Business Rates. The fee is currently lower than that charged by many other Local Authorities.	Existing	(0.150)	(0.150)	(0.150)	(0.150)
CC4 17+ Increase advertising income from pavement advertising The Council is seeking to generate new and incremental revenue from its existing outdoor advertising contract. It will achieve this by increasing the number of sites and types of assets included in the contract.	New	(0.500)	(1.000)	(1.000)	(1.000)
CC5 17+ Surpluses expected to be generated on the Housing Benefit Subsidy Grant The central government roll-out of Universal Credit in Birmingham is now scheduled for November 2017. This is later than the Council had anticipated and the impact of this delayed reform is that the Council will have more money than initially forecast.	New	(0.500)	(0.500)	0.000	0.000
CC13 16+ Targeted net improvement in the housing benefit subsidy Adjustment to reflect phased implementation of reclaiming Housing Benefit overpayments which were front-loaded in 2016/17.	Existing	0.500	1.000	2.000	2.000
CC6 17+ European & International Affairs - fund full cost from external / other sources It is proposed to cover the full salary costs of the Council's European and International Affairs team. This would be achieved through identifying a contribution to the running of the office in 2017/18 with the aim of moving to a full cost recovery model by 2018/19.	New	(0.350)	(0.726)	(0.726)	(0.726)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
CC7 17+ Brussels Office - fund full cost from external / other sources The Council is seeking to deliver savings in this area through generating income through partner organisations e.g. Service Level Agreements, sub-letting arrangements and reducing expenditure.	New	(0.060)	(0.120)	(0.120)	(0.120)
CC9 17+ Increase income generation for the Human Resources service In line with the Council's wider promotion of commercialism and income generation, its Human Resources team will seek to increase the amount of chargeable activity it undertakes. The primary target for this activity will be with new clients.	New	(0.100)	(0.100)	(0.100)	(0.100)
CC8 17+ Website - realise annual savings from implementation of the new web site and move away from microsites The new website has now been implemented and savings have been achieved. Further work is to be undertaken on moving from individual service based microsites to the main Council website to generate further savings.	New	(0.105)	(0.105)	(0.105)	(0.105)
CC11 17+ To implement a range of efficiencies and channel shift initiatives across Customer Services Customer Services is also proposing to make savings by training more of its back office staff to handle calls and other customer enquiries during periods of unexpected high demand at its contact centre.	New	(0.020)	(0.020)	(0.020)	(0.020)
MIA22 16+ Transfer out of hours calls from the Contact Centre to housing repairs contractors and third party service providers We propose that all calls between 8 am and 8 pm Monday to Friday would be handled within the Birmingham City Council Contact Centre but between 8 pm and 8 am and all weekends and bank holidays, calls would be transferred to contractors.	Existing	(0.138)	(0.138)	(0.138)	(0.138)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
CC10 17+ Reduce spend on paper printing for meetings etc The Council is proposing to reduce further the amount it spends on paper printing. This would be achieved through behavioural changes such as a greater use of digital devices to view meetings papers (in line with the Council's ICT & Digital strategy), using the Council's external print supplier for large print jobs and the adoption of other technologies that shift print jobs away from office photocopiers to less expensive channels.	New	(0.050)	(0.050)	(0.050)	(0.050)
CC13 17+ Impact of reduced numbers of councillors As a result of expected boundary changes in 2018 we expect the number of councillors to reduce. This will result in reduced costs.	New	0.000	(0.300)	(0.300)	(0.300)
CC16 16+ Reduce Local Welfare Assistance Provision Scheme This relates to the fall-out of the planned use of earmarked reserves to fund the Local Welfare Assistance Scheme in 2016/17 and that, from 2017/18 onwards, the Council has identified additional funding of £1.3m and will also work with partners to seek extra funding to supplement this.	Existing	2.900	2.900	2.900	2.900
CC17 16+ Reduction in expenditure and subsidy loss for exempt accommodation cases by assisting these providers to become registered social landlords The change to this service will be to encourage some of the private sector landlords to become regulated providers. This change will then allow the City Council to claim more subsidy from central government which will achieve the savings.	Existing	(0.350)	(0.750)	(0.750)	(0.750)
CC26 16+ Council Administrative Buildings reduction The future demand for office space for the Council is expected to drop as the Council redesigns its services.	Existing	0.000	(2.400)	(2.400)	(2.400)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
E5 16+ Make Digital Birmingham self-funding Digital Birmingham is 65% self-financed through undertaking national and European projects and aims to move to be fully self-funded in 2017/18. Within these timescales the most likely source of income will initially be grant funding from national and European sources and in order to achieve this we will need to establish a programme of bid writing and consortium building activities. A second source of income is commercial ventures emerging from existing projects (Digital Logbook, DISCOVER eLearning for carers). These will be evaluated for suitability and pursued where appropriate. Failing to generate the required income will lead to redundancies. As the service is currently operating at full capacity, this would directly lead to some activities being stopped altogether.	Existing	(0.050)	(0.050)	(0.050)	(0.050)
E21 16+ Birmingham Property Services Last year we proposed to reduce: • the number of staff in the Birmingham Property Services team; • the number of vacant properties in our commercial property portfolio; and • office security costs. In addition, we proposed to increase rental income from our investment property portfolio.	Existing	(0.490)	(0.490)	(0.490)	(0.490)
EGJ1 16+ Improve investment returns from properties owned for investments We propose to sell our properties that are not generating enough income and buy new investments that will generate more income.	Existing	(0.100)	(0.100)	(0.100)	(0.100)
EGJ2 16+ Charging more costs to capital projects As we deliver more capital projects some of our costs can be charged to their delivery.	Existing	(0.100)	(0.200)	(0.200)	(0.200)
New Proposals		**(12.655)**	**(13.221)**	**(14.641)**	**(14.641)**
Existing Plans		**1.047**	**(1.153)**	**0.147**	**(0.713)**
Total Corporate Resources Directorate Savings		**(11.608)**	**(14.374)**	**(14.494)**	**(15.354)**

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
ECONOMY DIRECTORATE					
EGJ10 16+ Self-financing of the Employment and Skills Service (ESS) We propose to reduce activities and consolidate the budget of the ESS and Economic Research & Policy teams and increase income from external funding sources.	Existing	(0.100)	(0.200)	(0.200)	(0.200)
JS3 17+ Economy Future Operating Model The proposed Future Operating Model provides a framework that will enable the Directorate to respond to current and emerging challenges within given resources while continuing to focus its activity on supporting the core priority of 'inclusive economic growth and future prosperity'. The core functions of the Directorate will be maintained however there will be a reduction in headcount and associated capacity (particularly around new initiatives outside of the priorities). As a result initiatives may take longer to realise or commence as existing commitments are delivered. In addition there will be a reduction or cessation of some activities/services not deemed to be priorities or where there is deemed to be the least impact on outcomes. The proposed Operating Model will involve service redesign, revisions to existing structures and changes to delivery models in line with the corporate future operating model. One of the principles within the Operating Model is the implementation of a comprehensive approach on spans and layers of control including rationalising the management structure and reporting lines. It is proposed that Savings/Income will be achieved through reduced salary costs (estimated at 10%), synergies, an increase in income generation and a reduction in costs associated with reducing or ceasing activities/services.	New	(1.265)	(1.765)	(1.765)	(1.765)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
JS4a 17+ Reduce West Midlands Combined Authority Transport Levy Currently Birmingham City Council contributes £49m to the West Midlands Combined Authority's transport arm, Transport for West Midlands, (TfWM). This funds a range of front line and back office functions related to public transport provision including dedicated services for mobility impaired and concessionary travel to our older citizens and children as well as some subsidised services. The challenge for TfWM is to review its overall costs to ensure it delivers an efficient and affordable transport system that supports inclusive economic growth and provides access to opportunities for all communities including our most vulnerable. With a number of other budget reductions in other essential services we must consider, in conjunction with the other six metropolitan authorities, how we can make efficiencies in the way in which public transport is planned and delivered against a wide set of priorities that support our most vulnerable. In consultation with the West Midlands Combined Authority, the saving has been agreed for 2017/18 with a further reduction in the Levy of £0.59m. The remaining target for 2017/18 will be delivered through a reduction in the contribution to the West Midlands Combined Authority, which is no longer required. This proposal is linked to JS4b below, West Midlands Combined Authority contribution reduction.	New	(0.590)	(1.500)	(1.500)	(1.500)
JS4b 17+ Combined Authority contribution reduction Savings will be delivered through a reduction in the contribution to the West Midlands Combined Authority. See also JS4a 17+ above, Reduce West Midlands Combined Authority Transport Levy.	New	(0.410)	(0.500)	(0.500)	(0.500)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
JS6 17+ Parking tariff increase - city centre car parks The proposal relates to changes to parking tariffs, fees and charges in order to support the transport objectives of the City Council, with the associated benefit of generating increased income for reinvestment in line with legislation. The level of parking tariffs and charges on-street and in city car parks is used as a method of encouraging use of public transport and alternative forms of transport within the city centre and is therefore aligned to the transport objectives of the City Council. In order to continue achieving this, parking tariffs within the city centre should be changed each year to ensure they are being used as one method of reducing car trips (demand) and the associated emissions those trips produce.	New	(0.500)	(1.000)	(1.000)	(1.000)
PL33a 16+ Off street Parking We are continuing our 3 year fee strategy approved in March 2015 to increase off-street car parking charges (estimated at 2% per annum until 2017/18)	Existing	(0.100)	(0.100)	(0.100)	(0.100)
PL33b 16+ On street Parking We are continuing our 3 year fee strategy approved in March 2015 to increase on-street car parking charges (estimated at 2% per annum until 2017/18)	Existing	(0.100)	(0.100)	(0.100)	(0.100)
PL32 16+ Highways Maintenance In order to bring about efficiencies and reduce costs we are proposing to: • Re-finance the Highways Maintenance & Management Private Finance Initiative (HMMPFI) contract; • Review capital expenditure; • Review routine and reactive maintenance. Any revisions to the contract would be subject to negotiation and agreement with the service provider, Amey and the Department for Transport.	Existing	(4.550)	(3.500)	(2.700)	(2.700)
PL35 16+ Traffic Regulation We are introducing a map based system to manage traffic regulation order requests and increase the efficiency of the service.	Existing	(0.005)	(0.005)	(0.005)	(0.005)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
SN1 16+ Sharing of highways maintenance database with statutory undertakers We are introducing a permit system for organisations wanting to carry out street works, to improve the quality of information we have about current and planned work. This will improve the information available to us which will help us to plan works and manage potential traffic disruption. We will charge organisations in order to recover the cost of managing the permits, and this includes the cost of any staff which are required as a result of implementing and running the scheme.	Existing	0.000	0.000	(0.050)	(0.050)
SN2 16+ The City Council will design and develop a modern transport network for the city in order to help develop attractive shopping areas, promote greener forms of transport and improve the environment We propose to reduce the reliance on car trips and improve air quality. These will be underpinned by a 'nudge' communications campaign to change travel behaviour and switch trips to other modes of transport. The values attributed to each year do not represent savings but reflect movements from the original funding allocated in 2016/17 to support the development of this proposal.	Existing	0.828	(0.194)	(0.194)	(0.194)
SN9 16+ Introduce a GIS mapping system to enable more efficient reporting of street scene issues We propose to introduce a GIS mapping system to combine our data with geographic information and make it quicker and easier to report and identify faults and issues.	Existing	0.000	0.000	0.000	(0.010)
SN35 16+ Expansion of City Centre on-street parking, concessions and restrictions - Digbeth is one of the largest areas of the city centre without controlled parking measures. The proposal is to develop and implement a controlled parking zone in this area.	Existing	(0.116)	(0.463)	(0.463)	(0.463)
SN37 16+ Transport joint data team - In retendering the contract in 2018/19 we expect to generate efficiencies which will result in a saving.	Existing	0.000	(0.055)	(0.055)	(0.055)
New Proposals		**(2.765)**	**(4.765)**	**(4.765)**	**(4.765)**
Existing Plans		**(4.143)**	**(4.617)**	**(3.867)**	**(3.877)**
Total Economy Directorate Savings		**(6.908)**	**(9.382)**	**(8.632)**	**(8.642)**

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
PEOPLE DIRECTORATE					
CH1 17+ Contact and escort The contact and escort service arranges and supervises contact sessions with parents and families for children in care. The team provide escorts to children in care to allow them to attend contact sessions with birth relatives and transport to and from each session where needed. These sessions can be recorded and the information can be used as evidence as part of Family Court proceedings. The children who are supported through this service are generally on interim care orders and full care orders. During this current year there are 220 children and young people being supported by the team. The proposal is to reduce the volume of contact sessions facilitated by agency staff and review contact arrangements to ensure that only those who need escort have this. Where supervision is not necessary the Council will continue to facilitate contact. The changes from this review will result in a saving of £100,000 for 2017/2018 which will be recurrent in future years.	New	(0.100)	(0.100)	(0.100)	(0.100)
CH2 17+ Residential – closure The City Council has five homes for disabled children, which provide 27 beds for children in care and 17 beds for children who require a short break. The proposal is to merge two children's homes that provide long term care for disabled children as evidence indicates that the need for these services has decreased and to relocate one short-break residential unit to the north of the city where there is currently no provision. In addition the proposal seeks to increase the number of foster carers available for disabled children.	New	(0.300)	(0.400)	(0.400)	(0.400)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
CH3 17+ CWD - Child Protection Resources The Child Protection assessment team provides specialist assessments of parenting capacity for vulnerable families to help the family court make decisions in care proceedings. Increasingly these assessments are being undertaken by the allocated social worker. The team of mainly unqualified staff have specialist expertise in working with parents with learning disabilities and provide support to area based social workers during planned assessments. The proposal to make financial savings from this service is to reduce the number of staff who work in the team and reallocate staff to area safeguarding teams and retain senior social work to co-ordinate activity. This can be achieved without diminution of service.	New	(0.200)	(0.200)	(0.200)	(0.200)
PFB1 16+ Resilient Families By improving our Early Help and Social Work service we propose to support more children to live safely and thrive at home. We propose doing this by providing support to our staff to work creatively with disadvantaged families to bring about positive change. Where children do have to come into care, we will provide more local foster placements and we will speed up the process of children in care finding permanent families.	Existing	(2.962)	(4.542)	(7.931)	(8.864)
PFB2 16+ Improved processes and productivity By supporting staff better through supervision, staff development, manageable caseloads and a learning culture we propose to reduce reliance on agency staff and manage a staff vacancy factor (turnover rate) of 4% for specific groups of staff.	Existing	(1.964)	(1.964)	(1.964)	(1.964)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
P22 16+ Increase in previous Early Years savings The savings shown here are the increases in savings which have been built into previous consultations. They will be delivered through a new model for delivering a more joined up Early Years offer to support parents and young children which was agreed by Cabinet on 28 June 2016. A report on contract negotiations for the Early Years Health and Wellbeing service is planned to be taken to Cabinet in March 2017 and the new services are planned to be in place by 1st September 2017.	Existing	(4.100)	(4.100)	(4.100)	(4.100)
CH4 17+ / MIA3 16+ Education travel The Travel Assist Service arranges transport between home and school for eligible children who may have a special educational need and/or a disability. In addition this service supports looked after children and children who are considered vulnerable. The service provides transport for over 4,000 pupils across the city. The allocation of support is following an assessment of needs and includes a range of transport provision as appropriate including minibuses, pupil guides and bus passes. One of the key principles of the service is to encourage greater independence and life skills through appropriate travel support and training according to the needs of the individual. A comprehensive review of the service has identified the need to embed efficiencies and change service delivery processes, including an invest to save programme involving the introduction of new technology. Working with key partners including schools and services that support children and families with Special Educational Needs and Disabilities, we are taking a collaborative approach to this transformation with a focus on improving service delivery.	New	1.534	0.234	0.000	0.000
	Existing	(0.171)	(0.171)	(0.391)	(0.611)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
CH5 17+ Early Help - Commissioning and Brokerage The Children's Commissioning and Brokerage team purchase services to support two priority groups in the city. The team purchase services to support these children and families as part of the Early Help provision. These families may be struggling with issues such as substance misuse, domestic violence or childhood sexual abuse. The Early Help support is designed to assist these families in addressing these issues in advance of them needing more complex support from the City Council. The other priority area is the supply of short breaks to children with disabilities. This service enables families to get a short break from their full time caring responsibility and supports families to stay living together in the family's residence. The way that the services are purchased to support both of these areas is proposed to be changed to reduce duplication and create a more joined up approach for providing these services. Savings are proposed to be achieved by developing a more efficient model of service delivery which reduces overhead costs whilst maintaining investment in direct service delivery to the children and families who benefit from the support.	New	(0.200)	(0.700)	(0.700)	(0.700)

Description	**New or Existing Saving**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**
CH6 17+ Educational Psychologists Access to Education provides educational psychologists to work within the arrangements and procedures laid down by statute for assessing and meeting the special educational needs of early-years and school-aged children. Their work includes: • Psychological advice as part of the statutory assessment of a child's special educational needs • An annual review of children and young people with statements of special educational needs or Education health and Care Plans. • Providing evidence for the Local Authority at Special Educational Needs Tribunals where there is a dispute with parents over the outcome of a request for Statutory Assessment. The training requirements for educational psychologists are very specific. New entrants to the profession are required to have completed a doctorate in educational psychology. All educational psychologists are required to be registered with the Health and Care Professions Council. This body provides quality assurance by verifying that those registered are appropriately qualified and that they maintain their skill levels through casework supervision and appropriate Continuing Professional Development. The Educational Psychology Service provide a range of traded services to schools ranging from programmes of work with individual children, whole school interventions and staff training. They also provide a full programme of courses for teachers, assistants, parents and carers. This proposal is to slightly reduce the funding for the service, through operational efficiencies and potential demand management.	New	0.000	(0.050)	(0.100)	(0.100)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
MIA2 16+ Design and Implement a new approach to Special Educational Needs and Disabilities and move away from a high dependency model The Council is proposing a long-term, wide-ranging development of the services to children with special educational needs. This would involve working with the children, families, and partner organisations to design and implement the optimum approach to these services shaped by the use of shared data and intelligence, learning and best practice. This may include commissioning of new services, changes to the way services are delivered, and potentially de-commissioning of services. The intention would be to give children with special educational needs services which help them to prepare for adulthood so that they will have the best possible level of independence into later life.	Existing	0.000	0.000	(10.000)	(10.000)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
HW1 17+ Supporting People Supporting People and Third Sector commissioned services meet the needs (which are not personal care) of a range of people including: • Young people including care leavers • Victims of domestic abuse and their children • Offenders and ex-offenders • Homeless including homeless families • Gypsies and travellers • Disabilities (including Mental Health, learning disabilities and physical and sensory disabilities) Services also include day opportunities, advice, information and support. As a result of dialogue with partners, stakeholders and colleagues within and beyond the City Council, work has already commenced to design a radically different approach. All Supporting People and Third Sector contracts will be reviewed over the next 6 months, which includes discussion with health partners with regards to future joint funding. A methodology will be developed in partnership with providers to determine the best approach in realising these savings.	New	(3.200)	(5.000)	(5.000)	(5.000)
MIA7 16+ Health & Prevention This proposal is about reducing the need and therefore the demand for long term care services. The Council will encourage the development of a number of health and prevention schemes which aim to support people to live independently for as long as possible and help reduce the long term reliance on Council services.	Existing	(0.238)	(0.484)	(0.489)	(0.501)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
MYR 3 16+ Third Sector Mental Health and Employment (day opportunities) This service area is part of a collaborative agreement with Clinical Commissioning Groups to commission a range of mental health, recovery and employment services that help citizens: • become independent and manage their mental health condition; • provide a range of support services to help people back into employment; and • reduce social isolation. It is proposed that the City Council withdraws its contribution to these services. Note that any reduction or removal of this service will be undertaken as part of the wider review of Supporting People and Third Sector services.	Existing	(0.440)	(0.440)	(0.440)	(0.440)
HW3 17+ Enablement efficiencies The Enablement service provides a community-based service to adult service users in their own homes for an estimated period of up to 6 weeks. They are made up of enablement teams who are tasked with assisting adults in recovering life skills and confidence following a life changing event. The service is made up of the occupational therapists service and the in-house domiciliary care service. The proposal is based on clearly defined outcomes for greater personal enablement. A fit for purpose enablement service will assist with ensuring that people are able to live more independently at home for longer and will not require residential or nursing care. It will also assist people to leave hospital quickly and safely and where possible may assist in prevention of hospital admission.	New	(2.000)	(4.000)	(4.000)	(4.000)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
HW4 17+ Integrated community social work organisations The City Council is proposing to re-organise and re-design its approach to social care assessments for adults with eligible needs. The new approach is based on locality areas linking to GP surgeries and building resilience back into communities. It is an asset based approach that builds on peoples strengths. The new approach will ensure that a wider network of community resources are considered to meet service users' needs before accessing health or social care and services. This approach will ensure that service users' independence is maximised and will reduce the reliance on hospital care. This new approach will mean that some citizens or individuals will have their assessed needs met in their locality and will require a community orientated approach.	New	(1.250)	(2.500)	(2.500)	(2.500)
HW5 17+ Better care at home Birmingham City Council currently provides 1,250 two-carer packages for older people and people with physical disabilities. This means that some of our service users have, following their social care assessment, received a package of care and support which includes two carers. This assessment may have been undertaken some time ago when new technology, new manual handling techniques and equipment was not known about. These new approaches may mean that the same level of support may be able to be provided by the use of one professional trained carer with additional equipment rather than the original two carers. The City Council has been running a small pilot with some service users in the city to utilise these new approaches to assess whether this new approach to care provision meets the needs of the service users concerned. Feedback from service users who are in receipt of the pilot project is favourable. The pilot project has identified that out of the 55 cases included, 75% of these could benefit from this service improvement. The proposal will deliver some savings; the equipment costs associated with the project will be capitalised within the available Adults' capital resources.	New	(2.000)	(3.000)	(3.000)	(3.000)

<table>
<tr><th>Description</th><th>New or Existing Saving</th><th>2017/18 £m</th><th>2018/19 £m</th><th>2019/20 £m</th><th>2020/21 £m</th></tr>
<tr><td>HW8 17+ External day care centres

The City Council funds external funded day care services to adults from across Birmingham. This proposal has two parts. The first proposal seeks to review the payments made to externally funded day service providers to check that the Council is being charged correctly for eligible service users. This work is expected to result in savings. Existing eligible service users will not be reviewed as part of this activity and as such the Council will not consult further on this first proposed activity.

The second part of the activity relates to the development of a future model for day opportunities to ensure that any users with eligible needs, in receipt of the future provision, will have appropriate day opportunities that promote independence, choice and control. The new approach to provision of day opportunities will be subject to public consultation before being implemented.</td><td>New</td><td>(1.000)</td><td>(2.000)</td><td>(2.000)</td><td>(2.000)</td></tr>
<tr><td>HW9 17+ Residential Care

Current bed based services for adults with eligible care needs are either purchased by the Council through a block contracting route or through a spot purchasing arrangement.

The Council has a number of Bed Based Block contracts which support adults who are being assessed – or who have assessed eligible care needs. The Council pays a set rate to secure all the beds in a ‘block’ from a provider – to ensure the beds are available for eligible service users when required. The Council purchases a range of block contracted bed based services including:

• Residential care
• Residential with nursing care
• Residential with dementia nursing care
• Enhanced Assessment Beds
• Extra Care hours in supported living schemes

The proposal is to review our block contracted bed based services to reduce cost and improve efficiencies.</td><td>New</td><td>(1.000)</td><td>(1.000)</td><td>(1.000)</td><td>(1.000)</td></tr>
<tr><td rowspan="2">HW10 17+ / MYR6 16+ Adult social care high cost provision

We will strictly apply the national eligibility criteria and pay for assessed needs only.</td><td>New</td><td>(0.750)</td><td>(1.500)</td><td>(1.500)</td><td>(1.500)</td></tr>
<tr><td>Existing</td><td>(0.200)</td><td>(0.200)</td><td>(0.200)</td><td>(0.200)</td></tr>
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Description	**New or Existing Saving**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**
MYR 1 16+ Integrated Community Social Work In order to maximise independence, reduce service user financial contributions and to reduce costs for the Council, work will continue to identify and facilitate more effective means of meeting assessed eligible need for care and support and reducing Council expenditure accordingly. New or different approaches will be, and are being continuously devised and introduced in consultation and with the support of service users in order to meet their assessed eligible needs. These can include: • Utilising more facilities, clubs and services which exist within the community rather than other more specialist paid for services • Providing enhanced support to enable people to live at home rather than placing them in residential care • Helping service users to share personal carers in order to provide better value for money • Making best use of aids and adaptions in order to reduce the requirement for domiciliary care. New approaches will be tested and promoted only where there is the agreement of the service user and there is demonstrable evidence that it will increase independence and provide better value for money.	Existing	(5.000)	(6.000)	(6.000)	(6.000)
HW6 17+ Birmingham Care Wage The City Council Budget statement on 1st March 2016 stated that Birmingham would implement the Birmingham Care Wage for all staff who are working on adult social care contracts. Feedback from the sector has indicated that this would cause further financial stress. The proposal is to delay the phased increase to the Birmingham Care Wage by one year to April 2018. This will still allow the Council to implement the Birmingham Care wage rate which is to align to a target of £9.00 per hour by 2020. The wage rate for all care staff working in homes that Birmingham City Council have procured will be aligned with the National Living Wage of £7.50 per hour in 2017/18.	New	(2.000)	0.000	0.000	0.000

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
HW7 17+ Public Health Public Health provides a team of health trainers who work in local areas to motivate and assist citizens to live healthier lives. The team are trained in understanding how we live our lives and how certain activities can damage our health in the longer term. Key focus areas are smoking, alcohol use, recreational drug use, poor diet and a lack of physical activity. The team are trained to motivate people to change and advise local people where resources are available for citizens to access to assist them in their healthier life. The team work in local community settings and in GP surgeries and can take referrals from community based workers. Therefore the most affected people who may miss this support are those citizens of Birmingham who may be unaware of local resources available to them or may not be in receipt of advice and support regarding how to live a healthier lifestyle. As a result of a Government announcement last year in relation to the future provision of the Public Health grant, a number of services have been reduced or stopped. Unfortunately there are further reductions in 2017 and beyond and this is one of the few discretionary services left in the Public Health Portfolio.	New	(2.800)	(0.750)	0.000	0.000

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
HW11 17+ Adults community access points Better First Time Contact is known as the Adults and Community Access Point (ACAP) and is the front door to adult social care in the city. The ACAP team provide advice and guidance to telephone callers and signpost callers to other organisations and to places of help when required. The team receive on average 5000 calls per month. The efficiencies proposed include utilising more on line help for service users across the city, combining switchboards with others provided by other teams in adult social care, combining activity in completion of assessments with work undertaken by other teams and great involvement of procurement of services to meet adult social care needs. The proposed budget saving if these efficiencies are actioned is £500,000 in 2017/18, £1,000,000 in the three subsequent years from 2018/19 – 2020/21 There should be no people who are negatively affected by implementation of the proposed service improvements.	New	(0.500)	(1.000)	(1.000)	(1.000)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
HW12 17+ Support services and switchboards A considerable number of back office switchboards have been created across Professional Support Services within the People Directorate. The switchboard functions that have been created to support front line social work teams with call handling and basic administrative tasks at a local on-site level. Analysis suggests that a considerable number of calls are redirected through to the switchboard from ACAP when citizens wish to make contact with their social worker directly. There are 13 externally advertised telephone numbers that the 64 telephone lines link to which support five separate teams across Adults, which are Occupational Therapy, Homecare, Mental Health, Adult Assessment and Support Planning and Approved Mental Health Practitioner teams. There is a service charge for each telephone line that is active and a review as to whether a single switchboard function or the removal of all switchboards would be able to offer a saving to the Council. To enable this to be a success work with ACAP will be required to identify whether existing social care case calls, not just new case calls can be managed through 1 contact centre as opposed to requiring several back office functions. This may require a policy decision with regards to citizens being directed to their allocated social workers directly as opposed to messages being taken through a switchboard function.	New	(0.250)	(0.250)	(0.250)	(0.250)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
HW13 17+ Carers Grant The City Council provides a Carers Grant of £250 funding which carers in the city can apply for every 18 months. There are currently 1,200 carers who have applied and been assisted through the grant application process on an 18 month cycle. The grant is generally used for carers to purchase goods or services such as respite for the person they care for and any additional equipment required. This is offered on a first come first served basis and is not linked to any outcomes for carers who are in receipt of the grant. The full impact of the grant withdrawal will not be known until future provision of carer's services and support is remodelled. This withdrawal of funding has no direct impact on service provision, although City Council partners are reviewing how to support carers as a partnership approach in the future, withdrawal of this grant will impact on this approach for carers in the City.	New	(0.222)	(0.444)	(0.444)	(0.444)
MIA18 16+ Internal Care Review - Care Centres The Council feels that it cannot provide residential care for older adults in the Care Centres in a way which represents value for money when compared to providers of similar services within the care market. In order to ensure that it achieves better use of the public purse it must now explore alternative options for their future operation.	Existing	(0.400)	(0.400)	(0.400)	(0.400)
MIA20 16+ Internal Care Review - Older Adult Day Care Cabinet on 13 December 2016 approved the implementation of a Full Business Case which set out an options appraisal and recommendations for the closure of the eight internal day services for older adults.	Existing	(0.127)	(0.292)	(0.292)	(0.292)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
MIA21 16+ Internal Care Review - Learning Disability Short Breaks Cabinet on 13 December 2016 approved the Full Business Case which set out an options appraisal and recommendations including the closure of The Laurels and Brook House. Cabinet also approved the continuation of market shaping and development activity to ensure current and potential service providers are able to meet the assessed eligible care and support needs of the affected service users.	Existing	(0.172)	(0.172)	(0.172)	(0.172)
MYR 2 16+ Substance Misuse Service user quality assurance The proposal is to cease the internal Service User Led Quality Assurance function. An independent Community Interest Company (CIC) is to be set up, and paid for, by Change Grow Live with some support from the Citizens Voice team within the commissioning centre of excellence.	Existing	(0.087)	(0.087)	(0.087)	(0.087)
P16 16+ Joint working with the NHS (Better Care Fund) Funding from the Government's Better Care Fund Programme was built into existing plans up to 2016/17. This change represents the fall out of this previous saving. At the time of preparing this report, the Government has not announced when it will publish the national guidance for the Better Care Fund in 2017/18.	Existing	8.400	8.400	8.400	8.400
New Proposals		**(16.238)**	**(22.660)**	**(22.194)**	**(22.194)**
Existing Plans		**(7.461)**	**(10.452)**	**(24.066)**	**(25.231)**
Total People Directorate Savings		**(23.699)**	**(33.112)**	**(46.260)**	**(47.425)**
PLACE DIRECTORATE					
CC12 17+ Equalities Reduction of the Equalities Service to the statutory minimum. Maximise external sources of funding to support the equalities agenda, positioning the Council as an enabler rather than a direct provider of services.	New	(0.224)	(0.366)	(0.366)	(0.366)
CC28 17+ Reductions in Operational Costs Savings in operational costs across Place Directorate e.g. utility costs and premises	New	(0.050)	0.000	0.000	0.000

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
CC27 16+ New Operating Model for Community Libraries A New Operating Model for Community Libraries has been consulted upon and this saving will be delivered by reorganising the current service into Libraries that will be opening on either a full time or part time basis (as per report to Cabinet February 2017). This will be achieved primarily by employee/operational cost savings in conjunction with the introduction of new self-service technology.	Existing	0.000	(0.388)	(0.388)	(0.388)
E30 16+ Major Events It is proposed to reduce the budget to the level necessary to fund an agreed reduced portfolio of events	Existing	0.021	(1.450)	(1.450)	(1.450)
EGJ7 16+ Create a commercial model for business support We do not have a legal duty to offer advice to businesses, but it has traditionally formed part of our role and has been offered free of charge. We propose the creation of a small unit to offer paid-for advice and support to businesses and other local authorities, across the range of services delivered by Trading Standards, Licensing and Environmental Health. Support could include training courses or one to one advice.	Existing	(0.032)	(0.052)	(0.072)	(0.092)
EGJ8 16+ Create a West Midlands-wide trading standards service Our proposal is to approach the six other district councils in the West Midlands with a view to creating a West Midlands-wide trading standards service, with effect from 1st April 2018. A saving has been identified in management overheads.	Existing	0.000	(0.050)	(0.050)	(0.050)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
HN1 17+ / MYR 7 16+ Parks - reduction to service To reduce the Parks and Nature Conservation budget from 2017/18 through the following proposed key measures: 1. Reduction in the amount of highway maintenance 2. Review of the Park Keepers service and Ranger Hubs 3. Reduction in the amount of grass cutting in parks and public spaces 4. Reduction in the number of shrubs and flower beds in parks and on the highway 5. Stop planters and baskets in centres and on the highway - unless funding provided from other sources.	New	(0.600)	(1.200)	(1.200)	(1.200)
	Existing	(0.600)	(0.600)	(0.600)	(0.600)
SN13 16+ Reduce number of play areas Removal of play areas that have come to the end of their economic life	Existing	(0.060)	(0.060)	(0.060)	(0.060)
SN31 16+ Offer the Trekking Centre to the market as a franchise opportunity We are proposing to offer the Trekking Centre to the market as a franchise opportunity.	Existing	(0.018)	(0.018)	(0.018)	(0.018)
SN42 16+ Increase income generation from golf contract Increased income will be generated from the golf contract.	Existing	(0.114)	(0.114)	(0.114)	(0.114)
SN45 16+ Disposal of unwanted / underutilised parks land (8 acres per year) It is proposed that the Parks Service disposes of unwanted or underused land. It is proposed that 8 acres per annum, for the next three years (as part of a four year programme), will be transferred to our Housing service for them to build more new homes (subject to governance and statutory processes)	Existing	(0.200)	(0.400)	(0.600)	(0.600)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
HN2 17+ Local Innovation Fund The Local Innovation Fund was established via a report to Cabinet Committee Local Leadership in September 2016. The Fund provides funding to each of the 40 wards in the city to invest in local projects that are transformative/innovative and contribute to one or more of the councils priorities of Children, Housing, Jobs and Skills or Health. The projects are developed via Members undertaking their local leadership role and engaging with their local communities over priorities in their ward forums. It is proposed that instead of having funding of £2m in 2016/17 and £2m in 2017/18 (£4m over 24 months) that instead a single £2m budget is available for use from December 2016 to March 2018 (£2m over 15 months). This approach will therefore deliver a £2m, one off, saving. After March 2018 the Local Innovation Fund will cease.	New	(2.000)	(2.000)	(2.000)	(2.000)
HN3 17+ Waste Management Contracts - Charging for traders to access Household Recycling Centres The Council is not obliged to provide free facilities for businesses to dispose of their commercial waste and can make a charge for such provision. Therefore, the proposal is to introduce a charging policy for non-household waste to commercial businesses using the Household Recycling Centres (HRC) to deposit waste derived from their business activity. Currently, height restrictions apply at all sites except for the Castle Bromwich site (Tameside Drive, B35 7AG) which prevents vans from accessing them unless by prior arrangement. At Castle Bromwich HRCs vans will be invited to use an alternative entrance where the content of their waste will be determined. If it is found to be commercial waste they will be invited to pay a charge for disposing of the waste at the site by prearranged payment.	New	(0.300)	(0.225)	0.000	0.000
SN6 16+ Waste Disposal Contract We will review our options in preparation for the new Waste Disposal Contract following the end of the current contract in January 2019 . This saving will include the fallout of the current mortgage on the incinerator that was built at Tyseley in 1994.	Existing	(0.300)	(2.050)	(10.800)	(10.800)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
SN7 16+ Reduce Reuse Recycle - Reduce failures/failed waste collections The investment in IT and mobile technology that was undertaken as part of the wheeled bin transformation programme will allow us to improve our collection service and optimise the collection rounds.	Existing	(0.082)	(0.082)	(0.082)	(0.082)
SN15 16+ Reduce Reuse Recycle - Align Clinical Waste collections with NHS policy We are reviewing the service to ensure that this is delivered in an efficient manner and all costs recovered.	Existing	(0.140)	(0.140)	(0.140)	(0.140)
HN4 17+ Selective licensing Private Rented Housing Sector - Refocus the service and use appropriate powers to target 11 wards with high proportions of private rented housing where there is high demand for services in order to improve housing standards and reduce anti-social behaviour.	New	(0.250)	(0.500)	(0.500)	(0.500)
HN5 17+ Street Cleaning and Refuse Collection The proposal is to redesign the management and back office structures for Street Cleansing and Refuse Collection to deliver efficiencies and economies of scale in the management of these services.	New	(0.250)	(0.250)	(0.250)	(0.250)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
HN6 17+ Increase commercial income on activities These proposals comprise a number of income generating initiatives within the service and consist of the following: Bereavement Services : • Installation of mini graves in cemeteries – below ground vaults which accommodate up to two sets of cremated remains. The scheme optimises the use of land in respect of provision of graves for cremated remains. Mini graves would be optional for citizens to purchase – alternative schemes for the deposit or burial of cremated remains are available. • Introduction of a grave reservation fee (£150 per reservation) – An Exclusive Right of Burial (ERB) may be purchased in advance of subsequent burial, which may take place at any time within a 75 year lease period. There is a potential loss of future income as fees and charges increase yearly. If the ERB is bought in advance there will be a loss of projected income in future years. By introducing a grave reservation fee this will minimise the impact. This is in line with the approach adopted by some neighbouring authorities. • Increase in memorial sales – increase in the volume of post-cremation sales by targeting specific sites and improving marketing. Markets: • Increase take up of stalls on the daily markets (Open and Rag). • Increasing the trading days/ lines with improve market experience for service users • Increased access for low income families to purchase products. Trade Waste: • To increase the fees and charges for Trade Waste collections from businesses with contracts for collection with Birmingham City Council.	New	(0.200)	(0.300)	(0.400)	(0.400)
PL16a,b&c 16+ Bereavement services We are continuing our 3 year fees strategy approved in March 2015. The increase in charges will be 2% and 9% for burials/cremations.	Existing	(0.380)	(0.380)	(0.380)	(0.380)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
SN24 16+ Provide above ground mausoleums and vaults in cemeteries that are closed for new burials Provide above ground mausoleums and vaults in cemeteries as appropriate	Existing	(0.023)	(0.232)	(0.232)	(0.232)
HN7 17+ Asset and property disposal programme The Place Directorate manages a range of property assets worth approximately £3 billion as part of the delivery of services – this includes operational administration buildings and service outlets (e.g. community centres, neighbourhood offices, public open spaces). It is proposed to sell a small proportion of these assets on the open market where these are no longer required for service delivery (up to a total value of £8m per annum). The receipts will be used to repay debt and this will result in savings on our interest and debt repayments.	New	(0.100)	(0.800)	(1.200)	(1.200)
HN8 17+ Library of Birmingham (joint venture with the Rep) The proposal is to reduce costs by introducing jointly managed arrangements with Birmingham Rep for aspects of venue management (room booking/commercial lettings, event management, catering) at the Library of Birmingham. The Library of Birmingham and the Birmingham Repertory Theatre (The Rep) share a building but operate largely as separate organisations. There are efficiencies to be made by the two organisations working more closely together particularly in areas of service already common to both. Working more closely together will consolidate these systems and processes which will achieve financial savings and has the potential to increase income. In addition, there is an opportunity to offer an improved service and greater flexibility for visitors. A full business case will be developed with The Rep, taking into account existing contracts and renewal dates, and providing options for a delivery model.	New	(0.100)	(0.100)	(0.100)	(0.100)
HN9 17+ Merge youth and careers service A further saving of £100k is also proposed by merging the Birmingham Careers Service with the Birmingham Youth Service. Savings will be delivered through premises, commissioning youth and careers work, management, administration and potentially income.	New	(0.100)	(0.100)	(0.100)	(0.100)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
PL20 16+ Birmingham Careers Service (Connexions) We are proposing to focus the service on young people not in employment, education or training (NEET), signposting others to alternative services. We are further developing our approach to helping all young people into employment and training through the Birmingham Youth Promise.	Existing	(0.134)	(0.134)	(0.134)	(0.134)
HN10 17+ Adult Education (commercial) To improve, by £100,000, the commercial income provided by Birmingham Adult Education Services (BAES) non-grant funded services. This will be achieved through efficiencies in the services of Brasshouse Translation and Interpreting Service, Brasshouse English as a Foreign Language Service and Brasshouse Language Service. The proposal is that these efficiencies will be achieved through a redesign of the Brasshouse Translation and Interpreting Service and the Brasshouse Language Service. In addition the costs of part of a management post within Brasshouse English as a Foreign Language Service will be assigned to the grant funded provision to correctly reflect where the work is being completed.	New	(0.100)	(0.100)	(0.100)	(0.100)
MYR 4 16+ InReach - Extension of Market Renting Scheme The development of further market rented homes at a number of specific sites that were approved by Cabinet in October 2016 e.g. Key Hill	Existing	(0.279)	(0.620)	(0.815)	(0.884)
HN11 17+ Extension of the InReach housing programme (up to 200 homes) The proposal is to increase the number of market rent homes by transferring vacant council properties to InReach to rent at market rent or by buying back former council homes that were purchased under Right to Buy legislation when they become available (up to 200 homes in total). Resources generated would be used to build new council homes.	New	(0.303)	(0.683)	(1.093)	(1.368)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
SN40 16+ Evaluate options for extending the range of the Council's rented property offer The proposal relates to the market rented homes that are being developed by the Council at St. Vincent Drive in Ladywood.	Existing	(0.300)	(0.300)	(0.300)	(0.300)
HN12 17+ Realign funding of specific housing services The Council provides a range of services for prospective and existing tenants of housing in the city – this includes Housing Options and services through the Local Advice Offices to discuss and resolve local housing issues. The cost of these services will be reviewed and funded appropriately within the overall available resources to ensure that this is fair and equitable and that our statutory obligations in respect of housing are met. This saving will be realised by ensuring that the charges for these services are funded as appropriate by the relevant funding source.	New	(2.000)	(2.000)	(2.000)	(2.000)
HW2 17+ Review future options for Wellbeing Centres and community hubs To review the commissioning of the service and establish clear outcomes for the future delivery. This will include reviewing the options to provide the most sustainable model with a cash limited budget. This could include Community Asset Transfers, establishing a new trust or mutual, and/or using the existing Leisure Framework. There will also be a review of Third Sector commissioning within the Wellbeing service.	New	0.000	(2.200)	(2.200)	(2.200)
SN26 16+ Discontinue Non-Framework Contract at Health and Wellbeing Centres The Council intends to withdraw from or no longer fund the following sites: • Colmers Community Leisure Centre • Bartley Green Community Leisure Centre • Great Barr Community Leisure Centre • Hamstead Pavilion. In addition, we propose that: • When the new Sparkhill Pool opens in 17/18, Moseley Pool and Court Road Fitness Centre will close, • When the new Northfield pool opens in 18/19, Tiverton Road Pool will close, and • When Icknield Port Loop Pool opens in 19/20, Aston Newtown Pool will close.	Existing	(0.340)	(0.900)	(1.090)	(1.090)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
SN43 16+ Community Leisure Centres We propose to secure additional income from the existing community leisure centres that are provided under the new framework contract.	Existing	0.030	(0.100)	(0.455)	(0.455)
JS1 17+ / EGJ6 16+ Museums and Heritage Service The Museums & Heritage service is delivered through a contract with Birmingham Museums Trust (BMT), which comprises management of the nine museums sites (Aston Hall, Birmingham Museum & Art Gallery, Blakesley Hall, Museum of the Jewellery Quarter, Sarehole Mill, Soho House, Weoley Castle, Thinktank Science Museum and the Museums Collection Centre) together with care of the Council's collection and maintenance of a portfolio of public artworks. The proposal is to reduce the contract fee from 1st April 2018. The Council has historic funding agreements with Heritage Lottery Fund and other parties, as well as agreements for display and care of items in the collection, which will need to be honoured or renegotiated to allow charging or reduction in access. Premises and items in the collection which have conditions related to historic funding agreements, loans or bequests, will need to be identified and revised agreements negotiated. It is not envisaged that any assets will be disposed of.	New	0.000	(0.500)	(0.500)	(0.500)
	Existing	0.000	(0.500)	(0.500)	(0.500)
E29/E38 16+ Support to the Arts and Borrowing from Reserves – Arts It is proposed to work with the arts organisations to achieve phased reductions in the City Council's contribution to the "culture pound". Grants for 2017/18 were approved by Cabinet in December 2016 and the savings have been delivered for 2017/18 and 2018/19	Existing	(1.673)	(2.673)	(2.673)	(2.673)
JS2 17+ / E17 16+ / EGJ9 16+ Marketing Birmingham It is proposed to reduce the cost to the City Council of the contract with Marketing Birmingham through broadening the income base to include contributions from other organisations	New	0.000	0.000	(0.300)	(0.300)
	Existing	(0.426)	(0.676)	(0.676)	(0.676)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
JS5 17+ / PL40ga 16+ Local car park charges The Council currently operates a number of off street local car parks across the City (these are located close to local and neighbourhood shopping centres). It is proposed that the charges are reviewed with a view to improve the management of local parking facilities. This will be achieved by applying charges that reflect local demand and usage of car parks, including for evening/night time parking where appropriate.	New	(0.100)	(0.100)	(0.100)	(0.100)
	Existing	(0.020)	(0.020)	(0.020)	(0.020)
MYR 5 16+ Review of all operational service 'back office' business support A review and rationalisation of the business processes including developing greater digitalisation and use of on line IT systems.	Existing	(0.800)	(0.800)	(0.800)	(0.800)
PL25 16+ New Homes Bonus We are reducing the “affordable housing” element of New Homes Bonus allocated for housing investment (substantially support to Birmingham Municipal Housing Trust programme).	Existing	(0.053)	(0.053)	(0.053)	(0.053)
PL36 16+ / PL40gg 16+ Highways Customer Support Unit We are reducing the overheads from the security service that supports the effective management of the Council's major buildings e.g. Council House, Lancaster Circus and Woodcock Street. In addition, more income will be generated by the engineering service for the completion of minor projects on the public highways.	Existing	(0.037)	(0.037)	(0.037)	(0.037)
PL40gb / gc / gd / gf / gh 16+ Neighbourhood and Community Services A number of minor residual savings on a range of services that were previously provided by former District Committees and have now been discontinued e.g. Your City Your Birmingham, Ward Support and Community Arts	Existing	(0.022)	(0.022)	(0.022)	(0.022)
SN11 16+ Garden Waste Service The charges for the service have been increased for 2017/18 (by £5 for the year) and this will ensure that the service can continue to be provided on a full cost recovery basis. This is the first increase in the charges since the service was introduced in February 2014.	Existing	(0.310)	(0.310)	(0.310)	(0.310)

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
SN12 16+ Young Active Travel This saving will be offset by additional approved resources and through prioritisation of sites. In addition a Trust has been established to support initiatives around safer travel to school	Existing	(0.381)	(0.381)	(0.381)	(0.381)
SN21 16+ Removal of Universal Superloos We are continuing to explore the options for the early termination of this contract but anticipate that this service will be continued until the gradual expiry of the contract.	Existing	0.024	0.024	0.024	(0.682)
New Proposals		**(6.677)**	**(11.424)**	**(12.409)**	**(12.684)**
Existing Plans		**(6.649)**	**(13.518)**	**(23.228)**	**(24.023)**
Total Place Directorate Savings		**(13.326)**	**(24.942)**	**(35.637)**	**(36.707)**
CORPORATE					
CC2 17+ / WOC2 16+ / E20/E24/E25 16+ Introduce a Corporate Future Operating Model across all support services and management structures for the Council A new Operating Model for the Council is being proposed to ensure that its functions, leadership and management are organised in ways that best: • enable greater organisational transparency, flexibility and agility • simplify systems and processes • consolidate support services • reduce organisational layers and bring consistency to managerial spans of control, and • improve "co-production" internally and with communities and partners to deliver on the Council's priorities and priority outcomes. The consultation on and implementation of the proposed operating model is scheduled to commence in January 2017 and complete in August 2018.	New Existing	(5.000) (7.710)	(31.000) (9.460)	(35.000) (9.860)	(35.000) (9.860)
CC19 16+ Revenue Services Transformation Programme Phased implementation of savings in respect of the collection of BIDS income.	Existing	0.036	0.096	0.116	0.116

Description	New or Existing Saving	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
WOC1 16+ Workforce proposals requiring changes to terms and conditions We have amended the terms and conditions of our employees to reduce the costs of employment whilst ensuring that there remains a core offer that is fair, legally compliant and aligned to our Birmingham Living Wage City commitment. This was after consulting with staff and Trades Unions around a package of changes that included: a new deal on holidays, more flexible working, and other changes that may impact pay.	Existing	(2.536)	(11.150)	(14.790)	(18.203)
WOC2 16+ Workforce Costs Reduction in the workforce costs required to help deliver the Corporate Future Operating Model	Existing	(0.144)	(0.281)	(0.281)	(0.281)
New Proposals		**(5.000)**	**(31.000)**	**(35.000)**	**(35.000)**
Existing Plans		**(10.354)**	**(20.795)**	**(24.815)**	**(28.228)**
Total Corporate Savings		**(15.354)**	**(51.795)**	**(59.815)**	**(63.228)**
Total New Proposals		**(43.335)**	**(83.070)**	**(89.009)**	**(89.284)**
Total Existing Plans		**(27.560)**	**(50.535)**	**(75.829)**	**(82.072)**
Total Savings		**(70.895)**	**(133.605)**	**(164.838)**	**(171.356)**

Note
Where savings are shown as a positive figure this is because the saving has reduced compared to that planned for 2016/17.

Flexible Use of Capital Receipts Strategy

Revised 2016/17 Flexible Use of Capital Receipts

	Investment expenditure	Planned Savings following Mid Year Review	Planned savings generated over and above 2016/17 Savings Plans				Comments
	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	
	£m	£m	£m	£m	£m	£m	
Corporate Future Operating Model (FOM)	0.257	(3.200)	(12.710)	(40.460)	(44.860)	(44.860)	
Workforce Efficiencies	0.350	(10.560)	0.000	0.000	0.000	0.000	
Connected Birmingham	0.869	0.194	0.828	(0.194)	(0.194)	(0.194)	This is generating income that is being reinvested back into the service
New approach to Special Educational Needs and Disabilities	0.190	0.000	0.000	0.000	(10.000)	(10.000)	
Transport and Independent Travel	0.196	0.000	1.363	0.063	(0.391)	(0.611)	
Homelessness	0.063	(0.550)	0.000	0.000	0.000	0.000	
New Waste Management Contract	0.490	(0.500)	(0.300)	(2.050)	(10.800)	(10.800)	
Vehicles and Maintenance	0.268	(0.500)	0.000	0.000	0.000	0.000	
Workforce contract changes	0.158	0.000	(2.536)	(11.150)	(14.790)	(18.203)	
Implementation costs of savings - waste management	0.020	0.000	(0.140)	(0.140)	(0.140)	(0.140)	
CC24 Reducing the affordability gap for the Council resulting from existing BSF schools contracts	0.230	(0.700)	0.000	0.000	0.000	0.000	
SN24 Provide above ground mausoleums and vaults in cemeteries that are closed for burial	0.100	0.064	(0.023)	(0.232)	(0.232)	(0.232)	
Server Hosting	0.718	0.000	(0.105)	(0.105)	(0.105)	(0.105)	This forms part of the ICT&D Strategy
Hybrid Mail	0.081	0.000	(0.283)	(0.871)	(0.871)	(0.871)	This is generating income that is being reinvested back into the service
Web CMS replacement project	0.130	0.000	(0.105)	(0.105)	(0.105)	(0.105)	This refers to Saving CC8 17+
Energy Supply Company	0.010						Establishment of a company with a healthy revenue and profit making by year 4 and covering all investment costs by year 7
Sub-total Savings to the Council	4.130	(15.752)	(14.011)	(55.244)	(82.488)	(86.121)	
Adult Social Care Improvement	0.394	(2.929)	(13.700)	(21.200)	(21.200)	(21.200)	Planned savings across the health and care system
Health and Social Care Integration	1.000	Total savings are estimated to be £452m					Planned savings across the health and care system
Sub-total Improvement Expenditure	5.524	(18.681)	(27.711)	(76.444)	(103.688)	(107.321)	
Pension Fund Strain	0.750						Redundancy costs and Pension Fund Strain directly
Redundancy *	2.000						give rise to future employee cost savings
Total flexible use of capital receipts 2016/17	**8.274**	**(18.681)**	**(27.711)**	**(76.444)**	**(103.688)**	**(107.321)**	

* This is a revised strategy. Last year's strategy was to fund redundancy costs of c £17m. Details of the delivery of the savings programme can be found in revenue budget monitoring reports throughout the year.

This Flexible Use of Capital Receipts Strategy complies with the requirements of the relevant Direction and the City Council has had regard to the appropriate statutory guidance.

2017/18 Flexible Use of Capital Receipts

	Investment expenditure 2017/18 £m	Planned savings generated 2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Comments
Connected Birmingham	0.674	0.828	(0.194)	(0.194)	(0.194)	This is generating income that is being reinvested back into the service
New approach to Special Educational Needs and Disabilities	0.115	0.000	0.000	(10.000)	(10.000)	
Reduce, Reuse, Recycle	0.890	(0.332)	(0.332)	(0.332)	(0.332)	
Commercialism	0.075					To contribute to the entire savings programme and contingency plans
Capacity to implement savings *	2.005					To contribute to the entire savings programme and contingency plans
ICT contract renegotiations	2.000	(10.920)	(10.350)	(12.170)	(13.030)	
Commissioning strategy for construction related and facilities management services	0.900					Will generate operational efficiencies and optimise growth potential
Energy Company	0.140					Establishment of a company with a healthy revenue and profit making by year 4 and covering all investment costs by year 7
Sub-total Savings to the Council	6.799	(10.424)	(10.876)	(22.696)	(23.556)	
Adult Social Care Improvement	0.941	(13.700)	(21.200)	(21.200)	(21.200)	Planned savings across the health and care system
Health and Social Care Integration	1.000	Total savings are estimated to be £452m				Planned savings across the health and care system
Sub-total Improvement Expenditure	8.740	(24.124)	(32.076)	(43.896)	(44.756)	
Redundancy	27.000					Redundancy costs and Pension Fund Strain directly
Pension Fund Strain	2.500					give rise to future employee cost savings
Total flexible use of capital receipts 2017/18	**38.240**	**(24.124)**	**(32.076)**	**(43.896)**	**(44.756)**	

* It is recommended that the Council delegates authority to the Cabinet to authorise specific allocations of transformation funding from this sum to help deliver the savings programme.

This Flexible Use of Capital Receipts Strategy complies with the requirements of the relevant Direction and the City Council has had regard to the appropriate statutory guidance.

Revenue Budget for City Council Services - Gross Expenditure

	2016/17 Budget £m	2017/18 Budget £m
Directorate		
Corporate Resources	661.369	672.561
Economy	145.884	167.544
People	1,576.847	1,552.466
Place (excluding Housing Revenue Account)	215.932	227.667
Total Directorate Expenditure	**2,600.032**	**2,620.238**
Corporately Managed Budgets	139.520	124.064
Contingencies	54.469	(1.980)
Total Expenditure on Services	**2,794.021**	**2,742.322**
Corporate Contribution to Reserves	8.681	9.075
Corporate Repayment of Borrowing from Reserves	2.535	1.006
Contribution to General Balances	1.500	0
Total General Fund Expenditure	**2,806.737**	**2,752.403**
Housing Revenue Account	287.035	283.758
Total Gross Expenditure	**3,093.772**	**3,036.161**

Revenue Budget for City Council Services - Gross Income

	2016/17 Budget £m	2017/18 Budget £m
Directorate		
Corporate Resources	(628.758)	(633.930)
Economy	(86.105)	(100.288)
People	(1,108.749)	(1,003.248)
Place (excluding Housing Revenue Account)	(81.836)	(87.010)
Total Directorate Income	**(1,905.448)**	**(1,824.476)**
Corporately Managed Budgets	(16.666)	(7.538)
Contingencies	0	0
Corporate Grants	(31.575)	(56.352)
Total Income from Services	**(1,953.689)**	**(1,888.366)**
Corporate Use of Reserves	(13.540)	(42.234)
Corporate Borrowing from Reserves	(4.227)	0
Total General Fund Income	**(1,971.456)**	**(1,930.600)**
Housing Revenue Account	(287.035)	(283.758)
Total Gross Income	**(2,258.491)**	**(2,214.358)**

Revenue Budget for City Council Services - Net Expenditure

	2016/17 Budget £m	2017/18 Budget £m
Directorate		
Corporate Resources	32.611	38.631
Economy	59.779	67.256
People	468.098	549.218
Place (excluding Housing Revenue Account)	134.096	140.657
Total Directorate Net Expenditure	**694.584**	**795.762**
Corporately Managed Budgets	122.854	116.526
Contingencies	54.469	(1.980)
Corporate Grants	(31.575)	(56.352)
Total Net Expenditure on Services	**840.332**	**853.956**
Corporate Use of Reserves	(4.859)	(33.159)
Corporate Net Borrowing from Reserves	(1.692)	1.006
Contribution to General Balances	1.500	0
Total General Fund Budget	**835.281**	**821.803**
Housing Revenue Account	0	0
City Council Budget	**835.281**	**821.803**

APPENDIX 8: HOUSING REVENUE ACCOUNT

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 1 to 10	…..	Year 30	Year 1 to 30
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total		2045/46	Total
HOUSING REVENUE ACCOUNT	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		£m	£m
Income														
Rental Income	(262.616)	(258.393)	(253.892)	(259.804)	(265.941)	(272.265)	(278.509)	(284.707)	(291.122)	(297.660)	(2,724.909)		(479.705)	(10,450.208)
Voids	3.576	3.539	3.499	3.576	3.657	3.739	3.820	3.902	3.986	4.072	37.366		6.325	141.438
Net Rental Income	**(259.040)**	**(254.854)**	**(250.393)**	**(256.228)**	**(262.284)**	**(268.526)**	**(274.689)**	**(280.805)**	**(287.136)**	**(293.588)**	**(2,687.543)**		**(473.380)**	**(10,308.770)**
Service Charges / Other Income	(24.718)	(25.011)	(25.335)	(25.750)	(26.212)	(26.520)	(26.926)	(27.219)	(27.515)	(27.813)	(263.019)		(31.932)	(863.951)
Total Revenue Income	**(283.758)**	**(279.865)**	**(275.728)**	**(281.978)**	**(288.496)**	**(295.046)**	**(301.615)**	**(308.024)**	**(314.651)**	**(321.401)**	**(2,950.562)**		**(505.312)**	**(11,172.721)**
Expenditure														
Repairs	64.460	64.475	64.176	64.932	65.186	66.347	67.958	68.586	70.628	71.936	668.684		98.684	2,354.206
Management	68.360	64.757	64.654	65.283	63.848	65.438	67.080	68.752	70.480	72.242	670.894		113.157	2,514.026
Bad Debt Provision	3.425	3.631	3.637	4.041	4.066	4.088	4.100	4.114	4.139	4.160	39.401		4.753	128.619
Estate Costs	16.978	18.300	18.813	19.287	19.780	20.283	20.803	21.334	21.885	22.446	199.909		35.274	774.726
High Value Voids Tariff	0.000	5.168	5.078	5.196	5.319	5.445	5.570	5.694	5.822	5.953	49.245		9.594	203.752
Capital Financing - Loan Redemption	24.830	11.264	2.697	2.773	1.559	13.627	19.662	18.224	20.266	23.144	138.046		5.610	663.006
Capital Financing - Interest and Other Costs	51.691	50.679	50.625	50.905	51.571	51.019	49.842	49.562	48.325	47.049	501.268		22.562	1,149.041
Contribution to Capital	54.014	61.591	66.048	69.561	77.167	68.799	66.600	71.758	73.106	74.471	683.115		215.678	3,385.345
Total Revenue Expenditure	**283.758**	**279.865**	**275.728**	**281.978**	**288.496**	**295.046**	**301.615**	**308.024**	**314.651**	**321.401**	**2,950.562**		**505.312**	**11,172.721**
Net (Surplus) / Deficit	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**		**0.000**	**0.000**
CAPITAL ACCOUNT														
Investment														
Housing Improvement Programme	56.000	55.997	56.629	57.323	58.052	58.797	59.499	60.186	60.885	61.588	584.956		80.380	2,006.990
Adaptations	3.351	3.418	3.487	3.556	3.628	3.700	3.774	3.850	3.927	4.005	36.696		5.951	135.954
Redevelopment / Clearance	76.941	54.590	44.014	42.053	46.718	35.676	34.842	36.113	36.937	37.780	445.664		42.103	1,123.268
Other Investment	1.504	1.514	1.524	1.533	1.543	0.782	0.792	0.803	0.814	0.826	11.635		106.995	815.194
Total Investment	**137.796**	**115.519**	**105.654**	**104.465**	**109.941**	**98.955**	**98.907**	**100.952**	**102.563**	**104.199**	**1,078.951**		**235.429**	**4,081.406**
Financing														
Receipts / Grants / Other	(83.782)	(53.928)	(39.606)	(34.904)	(32.774)	(30.156)	(32.307)	(29.194)	(29.457)	(29.728)	(395.836)		(19.751)	(696.062)
Contribution from Revenue	(54.014)	(61.591)	(66.048)	(69.561)	(77.167)	(68.799)	(66.600)	(71.758)	(73.106)	(74.471)	(683.115)		(215.678)	(3,385.344)
Total Expenditure	**(137.796)**	**(115.519)**	**(105.654)**	**(104.465)**	**(109.941)**	**(98.955)**	**(98.907)**	**(100.952)**	**(102.563)**	**(104.199)**	**(1,078.951)**		**(235.429)**	**(4,081.406)**
Net (Surplus) / Deficit	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**		**0.000**	**0.000**
Borrowing headroom @ 31st March	57.127	68.391	71.088	73.861	75.419	89.047	108.708	126.932	147.198	170.342			695.303	

MAJOR SERVICE ASSET AND CAPITAL STRATEGIES

1. PEOPLE

Adults & Communities

1.1 The Directorate's Capital Strategy supports delivery of care to the most vulnerable adults in the city and the City Council's Vision for a great city to grow old in, helping people to become healthier. In particular it will support citizens to have access to fully integrated health and social care services that help maintain independence and provide care to those who need it.

1.2 The City Council will work with its partners and citizens to make sure the changes being proposed in this strategy and the wider Financial Plan are the right ones and the transition to new ways of working is carried out properly. More integrated services and support should be designed around the City's people to help Birmingham citizens and their families look after themselves - not have to rely on formal care.

1.3 The Government's Better Care Fund (BCF) which started on 1 April 2015 is delivering a plan developed with health partners for closer joint working around the care of older people. Capital resources are included in the overall BCF funding and the City Council and partners will continue to identify investment opportunities through the joint governance arrangements.

1.4 A major element of the BCF capital spend is funding Disabled Facilities Grants which provides assistance with changes to homes such as widening doors, installing ramps, and improving access to rooms and facilities. The Council will also continue to work with health partners and others and use the resources provided in the BCF to implement improvements in Adult Social Care which complement the Sustainability and Transformation Plan submitted towards the end of 2016. Schemes may include providing alternatives to residential care such as Shared Lives, supported living and use of assistive technology.

1.5 The City Council continues to review directly provided services to ensure that they are the most appropriate way of meeting citizens' needs and are as effective as possible. Current schemes to improve the Learning Disability Day Centres (within the Property Schemes programme) and invest in ensuring that facilities comply with care and health and safety regulations will continue.

1.6 The City Council will make a major investment in its main Social Care ICT system (currently known as Carefirst). Funding will be provided from a combination of Adults and Children's Services budgets. This re-commissioning and replacement will improve and simplify workflow processes, remove duplication, integrate a number of standalone systems and provide additional facilities. The Care Act 2014 introduced fundamental changes to the working of Adult Social Care and the new system will support the City Council's continuing implementation of these changes and improve joint working with citizens and partners. This will be supported by other ICT schemes and where possible, all developments and changes to the ICT systems will be funded through capital resources.

Children, Young People & Families (CYPF)

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

1.7 **Education Portfolio Management**

Key priorities for the management of the education portfolio are:

- Maximise opportunities to rationalise property holdings to release value for reinvestment.
- Reduction in revenue maintenance costs associated with surplus and non-schools assets, in particular unattached school playing fields
- Implementing solutions to manage the revenue affordability gap on the maintenance contracts for the PFI and Building Schools for the Future (BSF) schools estate while delivering effective operational contracts management to drive efficiencies
- Maximising opportunities for revenue savings from energy efficiency measures
- Regularising all lease arrangements on schools and non-schools assets
- Advice and guidance to schools on effective asset management (traded service)

Basic Need Capital programme

1.8 Birmingham is a growing city and the average age of the population is getting younger. The City Council has a statutory duty to ensure there are sufficient school places for all Birmingham children and young people. In order to meet this duty, it is essential that the City Council has a robust understanding of the supply of and demand for school places through school place planning, accompanied by a Basic Need Strategy that ensures sufficient school places are provided to meet local need. The Basic Need programme is part of the wider school improvement strategy to deliver our ambition for every Birmingham child to benefit from a great education offer.

The City Council's proposed investment of £91.3m for the Basic Need programme covers all school places across mainstream and special schools from the statutory school ages of 4 – 16 and has 4 key strands:

i) Make optimum use of existing space, buildings and sites to provide sufficient, suitable, high quality additional places where needed

ii) Work with Maintained Schools, Free Schools and Academies to meet Basic Need through co-ordinated expansion plans

iii) Allocate annual Basic Need capital investment effectively and efficiently to areas where basic need requirements can only be met through either re-modelling, refurbishment or new-build projects, ensuring that the needs of our most vulnerable young people are prioritised and capital projects make best use of existing resources

iv) Identify alternative funding sources and models to deliver requirements including Section 106, school contributions, bidding opportunities, Local Co-ordinated Voluntary Aided Programme (LCVAP), Community Infrastructure Levy and future Basic Need allocations

Education Sufficiency Requirements continue to be published annually setting out the number and location of new places expected to be required and the changes made in the supply of school places. An annual schools capital programme will bring forward proposals for school expansions requiring capital investment. The majority of funding for the programme is from Department for Education (DFE) Basic Need grant, with additional funding streams from school balances, Section 106 contributions and earmarked capital receipts.

Co-ordination of place planning and the schools expansion programme has specific complexities in a landscape where more schools have autonomy to increase the number of places they offer and where Central Government is delivering the Free Schools and Academies programmes. This means that at times the City Council will expand schools temporarily to take additional children at relatively short notice. In the event of local oversupply of places there may also be a need to halt/limit planned expansions as well as decommission existing school places. In the event of the need to de-commission school places, a policy and process will be developed for consultation to be reviewed annually.

1.9 Schools Condition Allowance

As owner of a proportion of Birmingham schools, the City Council works closely with schools to ensure that Governing Bodies fulfil their obligations in relation to statutory compliance and planned preventative maintenance to improve the condition of school buildings.

Birmingham City Council’s proposed investment in schools capital maintenance is £19.5m. The majority of the funding is from DfE’s Schools Condition grant with additional funding streams from school balances as part of the Dual Funding initiative. Key priorities for the programme are:

- Responding swiftly to emergency repairs and maintenance issues identified in the Asset Surveys
- Delivery of planned maintenance to address major backlog maintenance issues to reduce emergency repairs and prevent asset failure that will lead to school closure
- Levering investment from schools into condition need through dual funding of priority maintenance projects

- Working in partnership with schools to fund essential repairs and ensure there is minimal incidence of school closure due to asset failure
- Levering maximum increased investment into the estate to address condition need and suitability in particular through a) bidding opportunities as they arise b) development opportunities that will lever investment into the education estate.

1.10 **Children's Social Care**

In January 2016 Children's Social Care received approval for a third party to operate five mainstream Children's Homes with the contract commencing in October 2016. However the City Council continues to retain Disabled Children's Homes which will require investment in forthcoming years.

The division is currently reviewing its arrangements for public access to case conferences and contact sessions, which will necessitate building solutions needing capital funding.

The Youth Offending Service is reviewing its property arrangements and further moves and/or consolidation of the estate may need capital investment.

1.11 **Children, Young People & Families ICT**

The Children's Social Care Improvement Plan 2014-17 (published 7th July 2014) set out key and fundamental changes to improve safeguarding and protection of children. Part of the improvement plan includes having fit for purpose IT systems to support social work practice. To this end an assessment has been made of the key IT improvements. CareFirst replacement is now the remaining majority of this and is required to stabilise and enable the existing services. The estimated cost of implementation is £5m and will be funded from a combination of Adults and Children's earmarked capital receipts. However, funding of any additional priorities will depend on utilising other funding streams such as Think Family grant.

2. ECONOMY

Strategic Context

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

- Delivering sustainable inclusive growth to meet the needs of the population through transformational change in the city centre and key areas of growth, and developing the city as a series of neighbourhoods that are safe, diverse and inclusive with locally distinctive character

- Creating the conditions for a strong and prosperous inclusive economy built around a diverse base of economic activities with benefits felt by all
- Increasing the city's economic output and productivity through the expansion of key growth sectors, greater enterprise and innovation in high value added activity
- Providing high quality infrastructure to support improved local and regional connectivity and accessibility, enhance global competitiveness and underpin future economic and population growth
- Increasing employment and reducing poverty across all communities to support people from welfare to work
- Creating a vibrant low carbon, low waste economy through the best use of environmental technologies, and ensure that Birmingham is prepared for the impact of climate change including addressing air quality
- Ensure that the City Council is able to deliver and support all of its objectives through the most efficient use of technology

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

This Capital Strategy is conscious of emerging financial pressures on projects. As a result of the UK referendum on leaving the EU, cost increases are being experienced in construction and development supply chains. Strategies have been put in place to secure further external resources and rephase projects to enable current projects to be completed without compromising inclusion, economic growth or the generation of Business Rates.

Major Projects and Programmes

2.3 A key priority is the identification of pump prime funding whether geared to site assembly, site preparation or marketing. The nature of these schemes means that it can take some years to come to fruition and before a return on the investment can be seen. Similar strategic acquisitions, in the nature of purchases to enable other developments in recent years include the Pallasades in support of the Grand Central development and the new Wholesale Market to create the Smithfield development.

West Midlands Combined Authority Project Activity

2.4 The WMCA activity is aligned with the objectives of the WMCA region, rather than being primarily Birmingham City Council focused, for example HS2. Project development is required to be self - funding and derived from the project outputs. There is a need to be able to pump prime such developments which can require seed funding to be subsequently reclaimed from the projects. The outputs from such projects will closely align to the major objectives of the City Council whether in jobs, housing or simply setting in place foundations for inclusive and sustainable economic growth.

The WMCA has already secured a Devolution Deal, with an annual revenue stream of £35m provided to support borrowing to deliver major infrastructure. This includes schemes in a 10 year delivery plan being developed by the WMCA, major regional assets, HS2, Curzon Street and the associated Connectivity Package of road, rail and metro projects.

Planning & Regeneration

2.5 The EZ has a 10 year Investment Plan totalling £275m capital and revenue that was approved in 2014. Under government rules on Enterprise Zones, any uplift in the Business Rates collected within the EZ boundaries is ring-fenced for a period of 25 years for the use and direction of the Local Enterprise Partnership (LEP). Within Birmingham this is the GBSLEP. The Investment Plan sets out how this uplift will be used to deliver the first phase of investment in infrastructure to unlock development and growth in the City Centre EZ. A series of projects which commenced in previous years, continue to be progressed within the Economy Directorate with EZ funding including:

- The ongoing re-development of Paradise Circus - remaining budget of £25.1m in the 10 year capital programme (see Appendix 12)
- Operation of a site development and access fund - £8.0m budget
- £34.5m budget for the Southern Gateway site
- £30.0m for the development of the HS2 Curzon Street site
- £20.0m for the LEP Investment Fund and
- £20.0m for the HS2 Interchange site

2.6 The Curzon Investment Plan is an extension of the EZ and was approved by Cabinet in September 2016. It sets out proposals that amount to £724m of investment between 2016/17 to 2045/46. This includes £515.3m of capital and £71.5m of revenue expenditure funded through the EZ, and £137.2m for the Metro Extension to Digbeth, to be funded by the Department for Transport. In addition the EZ Programme includes a further £183.3m contribution towards the cost of the Metro extension from Birmingham to the HS2 Interchange, subject to a full business case and availability of match funding. The prudential borrowing costs arising from these investments will be funded through the uplift in Business Rates income. The revised EZ programme, inclusive of current commitments, the Curzon programme and the Metro Interchange extension contribution, totals £1,015.1m and is considered affordable based on the expected and additional income levels that the EZ will generate.

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

- Advanced Manufacturing Hub at the Aston Regional Investment Site – expenditure for 2017/18 is estimated at £2.0m which utilises a mix of public sector funding sources. This will support acquisitions, demolitions and site remediation to bring forward further developable plots for the automobile and advanced manufacturing sector
- National College for HS2 – Plans for the National College for High Speed Rail were unveiled by HM Government in January 2014. Split across two sites, one in Birmingham City Centre and the other in Doncaster, it is an integral component of the emerging regional HS2 Growth Strategy and will provide a strong foundation to support the acquisition of skills in rail technology and management. Due to open by September 2017, the college currently being built in Birmingham at a cost of £24.3m (£9.4m remaining budget in 17/18) is funded by government grant and Local Growth Fund (LGF). It will add value to and strengthen the existing local skills infrastructure addressing the demands of the existing rail industry and directly contribute to future needs of HS2 and other advanced engineering sectors
- Longbridge Regeneration – the Longbridge Regeneration budget reflects the planning and regeneration elements of the Longbridge Connectivity project approved by Cabinet on 8 December 2015; which includes a £1.92m Park and Ride scheme being delivered by TfWM and funded by LGF grant and £1.45m for Longbridge Station Improvements being delivered by Network Rail funded by S106 monies.

2.8 Following approval by Full Council in September 2015 of the Community Infrastructure Levy (CIL) Charging Schedule, charging was introduced for applicable planning applications from 4 January 2016. The CIL is a funding stream generated by certain types of development once they commence on site, and ensures those CIL - liable developments contribute to the infrastructure needed to support that development (e.g. highways improvements, improvements to education capacity, enhancements to parks and open spaces). At the current time, it is anticipated that the process to distribute CIL funds will be operated at a City Council wide level, and those potential projects must demonstrate how that project will support the growth aspirations for Birmingham, as outlined in the Birmingham Development Plan. Funding decisions will be subject to Cabinet approval. In the short term, it is anticipated that the CIL receipts will be low but will increase over time.

2.9 The service continues to work in partnership with other public bodies and the private sector to deliver on investment priorities as well as seek external resources. The GBSLEP City Deal as detailed in the Cabinet Report of October 2013 has ring-fenced the receipts from disposal of the former

Advantage West Midlands assets held by the Homes and Communities Agency for investment to unlock a number of complex City Council owned assets that will generate new housing and employment. To date capital expenditure has been approved for the Meadway and the Advanced Manufacturing Hub and further funding bids for the Advanced Manufacturing Hub and the Yardley Brook housing scheme are being developed.

2.10 GBSLEP LGF was approved for delivery of a £9m LEP wide programme for grant, loan and equity to unlock housing sites. This programme is underway and over £2m has been allocated to support housing delivery.

2.11 The continued revitalisation and modernisation of the city's economy will be central to the growth agenda ensuring that jobs and prosperity are generated for current and future residents. A new three year capital Property Investment Programme became operational early in 2016/17 consisting of £2m ERDF and £3m private sector investment. A new LEP wide £21m Business Growth Programme (consisting of £8.5m ERDF drawing in a further £8.5m private sector investment over three years) will provide predominantly support plus capital equipment. These grant programmes along with funds managed by Finance Birmingham provide a range of investments for Small Medium Enterprises (SMEs) to support growth.

Transportation

2.12 The city's transport network enables the movement of people, goods and materials around Birmingham and affects all those who live, work and visit the city. The City Council's 20 year transport plan, Birmingham Connected, complemented by the West Midlands Combined Authorities Strategic Transport Plan - Movement for Growth, aims to support, influence and nurture the growth of the City through a holistic and co-ordinated view of transport, land use planning, regeneration and environmental issues. The City Council also aims to improve transport infrastructure and networks, tackle congestion, improve air quality and road safety and encourage the use of sustainable modes and increase the range of low carbon transport options available to all citizens and road users.

2.13 The strategy continues to support the delivery of major capital projects including a High Speed (HS2) rail link between Birmingham and London with two significant stations in Birmingham and Solihull, a HS2 Connectivity Package including bus rapid transit, metro extension, public transport priorities and walking and cycling. These support major developments and growth zones including those contained within the recently adopted Birmingham Development Plan. This will further be enhanced with the emerging priorities of Midlands Connect on strategic regional and national rail and road corridors.

2.14 In addition to the Integrated Transport Block resources the City Council continues to explore opportunities to secure additional Government funding to support this strategy. Other funding opportunities are also actively pursued to continue to deliver on City Council ambitions such as:

- A further round of LGF developed to complement transport requirements with unlocking significant development sites for employment and housing to meet the city's demand

- Best use of EZ resources to provide the necessary infrastructure connecting communities with key sites to enable opportunities to be maximised

2.15 Work continues to develop the major scheme business cases for the A457 Dudley Road and strengthening works to the A38(M) Tame Valley Viaduct with a total LGF contribution of £94.5m. These projects are subject to Department for Transport (DfT) evaluation and will be included in the capital programme once approved. Both projects are required to be supplemented by a City Council contribution. This is currently forecast to be in the region of £30m, with a funding strategy to be developed which includes borrowing.

2.16 Work also continues on the delivery of a number of key projects targeted at supporting inclusive economic growth including Ashted Circus, Battery Way Extension and Longbridge Connectivity that are largely funded through LGF. Further programmes covering walking and cycling, measures to tackle congestion and minor schemes to support local communities form part of the overall Transportation and Highways Capital Programme.

2.17 Birmingham Connected provides proposals for future funding and financing mechanisms. For example, it is proposed that the Transportation and Highways Capital programme will include the re-use of revenue streams from on street enforcement activities (Bus Lanes) in accordance with the relevant legislation, ensuring that there is transparency on where and how this income is being invested.

Highways and Infrastructure

2.18 A significant level of capital investment in the Highway Network has been completed as a part of the Highways Maintenance PFI contract with Amey. This provides for highways, street lighting and other street furniture investment at an overall cost of £2.7bn over the 25 year period of the contract to 2033/34.

2.19 The Highways Service will support the development of transport infrastructure through the implementation of capital programmes of minor improvements and enhancements at a local level in order to promote economic growth, carbon reduction and sustainability, road safety, local accessibility and social inclusion.

3. CORPORATE RESOURCES

Birmingham Property Services

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

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

3.3 Where appropriate the service will engage external expertise or capacity to meet City Council objectives.

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

- To ensure that assets are fit for purpose in terms of suitability, sufficiency, condition, cost, environmental impact and affordability

- To keep the City Council's portfolio of capital assets under review and managed according to best practice through the Asset Management Planning process, including the rationalisation of property holdings where appropriate

- To take an integrated approach to all aspects of property planning and management, taking account of whole lifecycle implications

- To deliver value for money from any investment in the retained estate

- To utilise the optimum property in accordance with the City Council's strategic objectives and service delivery plans

The need to respond to changing service delivery needs and the City Council's changing financial position will require further substantial change in the future asset portfolio.

3.4 The service is directly responsible for the City Council's commercial portfolio and the central administrative buildings portfolio services and for optimising the return on the disposal of surplus City Council assets.

Central Administrative Buildings (CAB)

3.5 The transformation and rationalisation of the City Council's Central Administrative Buildings (CAB) has enabled the organisation to adapt and change more readily to meet demands to achieve savings and co-locate services to provide improved services to the citizens of Birmingham. The Corporate Landlord service supports the effective management of the CAB portfolio and works closely with Directorates to meet changing service needs. The estate houses around 7,000 staff and has flexed to consolidate services from other (non CAB) buildings to deliver significant revenue savings i.e. the relocation of Corporate Contact Centre and Service Birmingham relocation from B1 offices etc. The aims and savings targets set by the programme continue to be delivered and work continues in conjunction with HR to introduce "smarter working" and increased agility to drive further savings for the organisation.

The development of new models of service delivery brings challenge to previous arrangements. General themes include:

- Potential for co-location/integration of City Council front line services into multi-service buildings, providing one point of access for customers. This will allow limited financial resources to be directed to a smaller number of better maintained and improved buildings

- Increased joint working with other public sector partners and third sector organisations to share buildings and provide a wide range of services to people from one building

- Flexible accommodation, the potential to fully utilise space – ensure space in buildings is fully utilised at all times and capable of alternative utilisation at minimal cost

At the present time a detailed feasibility study of the Council House complex is being undertaken. A Project Director has been appointed to lead the work and whilst the proposed works will centre on the replacement of the infrastructure of the complex (particularly the mechanical and electrical installations) at a cost estimate of £21m-24m, the study will also look to see which areas (Council House Extension) could be released for possible lease to commercial uses to generate additional revenue income.

Commercial Portfolio

3.6 Key priorities for the management of the commercial portfolio are:

- Reduction in revenue maintenance costs associated with the portfolio
- Maximising opportunities for revenue income
- Rationalisation of the portfolio with appropriate reinvestment to improve its financial performance and strategic contribution. The nature of such opportunities is reactive, arising when such properties are brought to the market and as such rest on individual business cases

Information & Communications Technology

3.7 The City Council's Information Communications Technology and Digital (ICT&D) Strategy (2016-2021) as approved by Cabinet on 18 October 2016, guides the prudent use, maintenance and development of the City Council's ICT assets beyond the end of the existing Service Birmingham contract in 2021. It incorporates six key themes: Integrated ICT & Digital Services, Commissioning, Digital Facilitation, Governance, Insight and Innovation.

3.8 Provision has been made for three strategic phases:

- Foundation 2017/18 £19.7m including Core ICT transformation - server platform refresh
- Developing 2018/19 - £15.9m including agile working – developing email and office applications
- Enabling 2019/20 - £9.5m including Core ICT transformation- consolidation of existing data centres

4. PLACE

Strategic Context

4.1 The Place capital strategy covers a diverse range of assets and services, each with their own characteristics and strategic drivers for investment. The different elements are each set within the context of a number of Strategic Plans, including the Waste Management Strategy, Sport Facilities Strategy, HRA Business Plan 2017+, Housing Plan, Private Sector Housing Strategy and Planning for Housing in Later Life, taking account of the limited resources available.

4.2 Whilst the overall strategy is focussed around the delivery of service outcomes for residents, some elements are delivered locally on a District or Neighbourhood basis whereas other elements form part of a citywide approach. The key service areas are considered below.

Waste Management

4.3 The key focus of the service's strategy is to minimise waste, meet challenging recycling targets and minimise landfill within the context of a drive towards more sustainable disposal methods with a modernised service delivery model, and underpinned by the developing waste strategy.

4.4 Following the roll-out of the wheeled bin service, the next phase of asset planning for the service is focussed on depot refurbishment at a cost of £7.8m and the first phase covering Lifford Lane and Perry Barr depots commenced in 2016/17.

Local Service Assets

4.5 The effective use of local service assets is essential to the delivery of efficient services across the City Council.

4.6 The City Council provides a number of community libraries, adult education, advice and youth centres which support the localisation agenda. This asset base continues to be under review along with other service assets in order to maximise opportunities for providing core services through co-location and partnership with other agencies, whilst generating significant savings. In this regard a review of library assets forms part of the Library Service consultation exercise. Assets have been rationalised to reflect the re-structure of services, notably in the case of Neighbourhood Offices, and the review of assets will continue to reflect changes in service delivery models.

Parks and Nature Conservation

4.7 The investment will continue to be focussed on essential improvements to ensure health and safety standards, including pools and reservoirs. The service will seek to maximise external funding and generate income where possible in order to reinvest in the service where appropriate.

4.8 Expenditure planned in 2017/18 to 2018/19 amounts to £2.4m across a range of projects.

Sport and Leisure

4.9 The City Council provides a range of sporting and leisure facilities. This includes Alexander Stadium and the strategy focuses on improving the national profile of the city as well as providing accessible facilities to help residents maintain a healthy lifestyle.

4.10 The City Council embarked on a major programme to transform the Sport and Physical Activity service, approved by Cabinet on 16 December 2013. The strategic outcome includes a mixed economy for delivery, including asset transfer, new wet (pool) and dry facilities, management through external contractors and the establishment of a Wellbeing Service that includes retaining facilities in deprived areas as well as outreach provision in parks, open spaces and community settings.

4.11 The framework contract for the construction, management and operation of Sparkhill Pool is in place, with the project now under construction. A further two framework contracts are in place to enable the construction, management and operation of four leisure centres and transfer of five existing facilities to a private operator (the contracts include refurbishment works at the five transferred facilities). These contracts commenced in June 2015 and the refurbishment and new build programme is progressing. The refurbishment of the five existing sites is substantially complete and the re-build of three facilities is progressing on site. The construction of the brand new facility at Icknield Port Loop is scheduled to start in April 2017. It is expected that all new facilities will be completed by 2018/19. As part of the transformation programme approved by Cabinet, options for future development, management and operation of Alexander Stadium have been considered and Cabinet has approved a process for the procurement of an operator for the whole site.

Markets

4.12 The last Full Business Case on the Wholesale Market project was approved by Cabinet on 27 July 2015 and highlighted how planned relocation to the Hub Site at Witton would support the City Council's Sustainable Community Strategy, the Council Business Plan 2015+, the Big City Plan, the Birmingham Development Plan, the Leader's Policy Statement 2015 and the City Centre EZ in accordance with the Economic Zone's Prospectus launched by the (then) Leader in September 2012, for the Council's Food Hub proposals.

4.13 Practical completion of the main construction work for the new building took place on 4 November 2016. Traders relocating from the current wholesale market were due to sign leases at the new market by 18 November but this target was not achieved, with a knock on effect on some of the remaining capital expenditure and the planned start of operations at the new market from February 2017 until later in 2017/18. This will correspondingly delay the planned demolition of the wholesale market at the current city centre site, prior to use of that site as part of the Birmingham Smithfield project.

Housing Options

4.14 The Housing Options service continues to experience unprecedented demand for temporary accommodation, which is met from a combination of City Council owned properties (both hostels and dispersed properties within the HRA), properties leased from private sector landlords and bed & breakfast accommodation. In order to minimise reliance on more expensive and unsatisfactory B&B accommodation, the service continues to investigate all options, including temporarily bringing HRA properties back into use for temporary accommodation.

4.15 Current plans include the short-term refurbishment of a number of HRA owned properties in Newtown planned for demolition as a part of the longer term plans for the regeneration of the area, together with similar proposals for a number of HRA owned tower blocks identified for demolition. Properties identified in this way are brought back into use for a minimum period of 3-5 years, with refurbishment costs funded through service-funded prudential borrowing over this period, subject to the private sector costs avoided being sufficient to offset the borrowing costs incurred.

Private Sector Housing

4.16 Interventions are limited due to funding constraints since the cessation of government funding for private sector decent homes delivery in 2011. The remaining areas of activity are focussed on bringing empty properties back into use and the support to the provision of high quality Private Rented Sector Housing through the City Council's wholly owned company, InReach Limited.

4.17 Bringing long term empty homes back into use remains an important programme both to increase housing supply, and to improve neighbourhoods. In almost 90% of cases, it is possible to persuade property owners to return their properties to use without the need for direct intervention, but acquisitions through the Empty Property Strategy will continue on a self-funding basis, totalling £1.65m between 2017/18 and 2019/20.

4.18 InReach Limited is continuing with its plans to construct 92 apartments for market rent on St Vincent Street, Ladywood. Construction commenced in autumn 2016 and is anticipated to be completed during 2017/18, with funding provided through loans from the City Council totalling £12m.

4.19 Further schemes under development for InReach Limited are anticipated to deliver up to a further 300 apartments for market rent, with the funding also provided through loans from the City Council totalling in excess of £40m over the construction period.

4.20 A programme of disposal of approximately 200 vacant council houses each year to InReach Limited is also planned, with funding estimated at £19m each year to be provided through further loans from the City Council.

Council Housing

4.21 The capital strategy for council housing forms an integral part of the HRA Business Plan, which sets out, over a 30 year period, plans for revenue and capital income and expenditure relating to HRA properties to ensure that council housing is maintained over the long term. The HRA Business Plan is explained in more detail in Chapter 4.

4.22 The HRA Capital Strategy has a dual focus, both on maintaining existing properties (including any structural works needed to the fabric of the buildings) and on a programme of new house building to replace obsolete and non-viable stock including the regeneration of Kings Norton, Newtown, Meadway, Abbey Fields and Perry Common.

4.23 The asset management strategy to support this overall Capital Strategy includes investment of £359.0m between 2017/18 and 2019/20, directed towards:

- Continued capital investment to maintain properties in their current improved condition (renewal of key property elements based on life cycles)
- Provision of New Affordable Housing as a part of an investment of £380m for 2,570 new homes for rent over the coming 10 year HRA Business Plan period
- Continued investment in the provision of adaptations in properties for the benefit of the Council
- Clearance of obsolete housing – approximately 2,000 properties to be demolished over the coming 10 year period
- Energy efficiency and green energy measures to combat fuel poverty. Including installation of communal heating systems in up to 20 tower blocks

Appendix 10

Capital Grants and Contributions 2017/18 to 2019/20

	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Government Grants				
Community Capacity Grant	2,266	-	-	2,266
IT - Dept of Health (Telecare)	1,325	379	-	1,704
Better Care Fund	5,053	300	-	5,353
Disabled Facilities Grant	4,600	4,600	-	9,200
Devolved Schools Capital Allocation	2,845	-	-	2,845
Schools Capital Maintenance	18,531	-	-	18,531
Additional Primary Places	42,151	49,517	-	91,668
Business Innovation & Skills Grant	7,587	-	-	7,587
Dept for Transport Section 31 Grant	1,270	-	-	1,270
Growing Places Fund	2,000	-	-	2,000
ERDF	5,687	4,401	481	10,569
Highways Challenge Fund	3,520	-	-	3,520
Affordable Rent Programme Grant	9,383	7,731	6,026	23,140
Homes & Communities Grant	3,991	8,400	1,491	13,882
Housing Improvement Grant	4,624	5,074	250	9,948
Integrated Transport Block	9,689	5,214	-	14,903
Cycle Ambition	1,775	-	-	1,775
Other	223	-	-	223
Total Government Grants	**126,520**	**85,616**	**8,248**	**220,384**
Contributions 3rd Party				
Section 106	596	273	-	869
National Lottery	933	142	-	1,075
Other	2,949	378	12	3,339
Total Contributions	**4,478**	**793**	**12**	**5,283**
Public Body Grants - Sport England	**2,795**	-	-	2,795
Local Growth Fund - LEP	**25,063**	**6,998**	-	32,061
TOTAL GRANTS & CONTRIBUTIONS	**158,856**	**93,407**	**8,260**	**260,523**

Appendix 11

PROPOSED CAPITAL EXPENDITURE PROGRAMME 2017/18 - 2019/20

	2017/18	2018/19	2019/20	TOTAL
	£000s	£000s	£000s	£000s
PEOPLE DIRECTORATE				
Adults & Communities				
Property Schemes	1,971	300	-	**2,271**
IT Schemes	1,325	379	-	**1,704**
Improvements to Social Care	5,379	-	-	**5,379**
Independent Living	4,600	4,600	-	**9,200**
Total Adults & Communities	**13,275**	**5,279**	-	**18,554**
Children, Young People and Families				
Aiming Higher for Disabled Children	187	-	-	**187**
Devolved Capital Allocation for Schools	2,845	-	-	**2,845**
Schools Capital Maintenance Works	19,484	-	-	**19,484**
Additional Primary Places - Basic Needs	41,954	49,317	-	**91,271**
IT Investment - Children's Services	1,875	2,234	-	**4,109**
Other minor schemes	35	-	-	**35**
Total Children, Young People & Families	**66,380**	**51,551**	-	**117,931**
Total People Directorate	**79,655**	**56,830**	-	**136,485**
PLACE DIRECTORATE				
General Fund				
Sport & Swimming Pool Facilities	16,635	360	-	**16,995**
Fleet & Waste Management	7,606	160	-	**7,766**
Parks	2,336	31	-	**2,367**
Bereavement Services	6,195	-	-	**6,195**
New Wholesale Market	2,805	-	-	**2,805**
Community Initiatives	392	-	-	**392**
Regulation & Enforcement	366	-	-	**366**
Strategic Libraries	434	-	-	**434**
Community Libraries	456	-	-	**456**
Community Development	48	-	-	**48**
Land Drainage & Flood Defences	1,102	-	-	**1,102**
Total Non-Housing	**38,375**	**551**	-	**38,926**
Housing				
Council Housing HRA				
Housing Improvements Programme	56,000	55,997	56,629	**168,626**
Redevelopment	76,941	54,590	44,014	**175,545**
Other Programmes	4,855	4,932	5,011	**14,798**
Total Council Housing HRA	**137,796**	**115,519**	**105,654**	**358,969**
Private Sector Housing				
Empty Homes	550	550	550	**1,650**
Housing Related Loans	49,604	30,208	25,197	**105,009**
Other Programmes	100	-	-	**100**
Total Private Sector Housing	**50,254**	**30,758**	**25,747**	**106,759**
Total Place Directorate	**226,425**	**146,828**	**131,401**	**504,654**

				Appendix 11
	2017/18	2018/19	2019/20	TOTAL
CORPORATE RESOURCES DIRECTORATE	£000s	£000s	£000s	£000s
Birmingham Property Projects	1,373	228	-	**1,601**
Revenue Reform Projects	38,240	13,000	-	**51,240**
ICT Infrastructure	19,667	15,945	9,524	**45,136**
Other minor schemes	507	-	-	**507**
Total Corporate Resources Directorate	**59,787**	**29,173**	**9,524**	**98,484**
ECONOMY DIRECTORATE				
Planning & Regeneration				
Regeneration - Enterprise Zone				
Enterprise Zone - Paradise Circus	13,863	8,521	1,285	**23,669**
Enterprise Zone - Connect Economic Opportunities	925	-	-	**925**
Enterprise Zone - Southern Gateway Site	-	1,000	6,142	**7,142**
Enterprise Zone - LEP Investment Fund	-	-	5,000	**5,000**
Enterprise Zone - HS2 Curzon St Site	-	-	7,500	**7,500**
Enterprise Zone - HS2 Interchange Site	-	-	5,000	**5,000**
Enterprise Zone - Metro Centenary Square	9,996	-	-	**9,996**
Enterprise Zone - Southside Link	231	-	-	**231**
Enterprise Zone - One Station	521	-	-	**521**
Enterprise Zone Phase II - Curzon Street	3,500	15,950	11,300	**30,750**
Total Enterprise Zone	**29,036**	**25,471**	**36,227**	**90,734**
Regeneration - Other				
East Aston Regional Investment Site	2,000	-	-	**2,000**
Life Sciences	1,300	-	-	**1,300**
National College for HS2	9,446	-	-	**9,446**
Longbridge Regeneration	3,294	-	-	**3,294**
Local Centres	691	-	-	**691**
Conservation	1,371	210	-	**1,581**
Business Support Programme	5,627	4,343	468	**10,438**
Other City Centre Projects	1,012	-	-	**1,012**
Unlocking Housing Sites	6,090	2,910	-	**9,000**
Other minor schemes	513	-	-	**513**
Total Regeneration	**31,344**	**7,463**	**468**	**39,275**
Total Planning & Regeneration	**60,380**	**32,934**	**36,695**	**130,009**

	2017/18	2018/19	2019/20	TOTAL
	£000s	£000s	£000s	£000s

Appendix 11

	2017/18 £000s	2018/19 £000s	2019/20 £000s	TOTAL £000s
Transportation				
Ashted Circus	4,314	2,468	-	**6,782**
Battery Way Extension	3,518	-	-	**3,518**
Longbridge Connectivity	2,276	2,195	-	**4,471**
A457 Dudley Road	6,000	1,300	-	**7,300**
Metro Extension	4,466	-	-	**4,466**
Infrastructure Development	6,330	1,395	-	**7,725**
Walking & Cycling	4,138	2,563	-	**6,701**
Economic Growth & Tackling Congestion	1,758	-	-	**1,758**
Digital Districts	120	115	25	**260**
Minor Schemes (including balance of ITB)	643	-	-	**643**
Total Transportation	**33,563**	**10,036**	**25**	**43,624**
Highways				
Safer Routes to Schools	360	300	-	**660**
Network Integrity	3,501	605	-	**4,106**
Road Safety	373	300	-	**673**
Other Minor Schemes	184	-	-	**184**
Total Highways	**4,418**	**1,205**	**-**	**5,623**
Total Economy Directorate	**98,361**	**44,175**	**36,720**	**179,256**
Total Capital Programme	**464,228**	**277,006**	**177,645**	**918,879**

New Schemes/Funding					Appendix 11
The following projects included in the above programme have been added since Quarter 2 2016/17					
	#	2017/18	2018/19	2019/20	TOTAL
		£000s	£000s	£000s	£000s
People Directorate:					
Property Schemes	N	780	0	0	**780**
Improvements to Social Care	A & N	(700)	0	0	**(700)**
Independent Living	A	900	0	0	**900**
Total People Directorate		**980**	**0**	**0**	**980**
Place Directorate:					
Parks	A	12	1	0	**13**
Private Sector Housing	N	41,184	30,339	25,747	**97,270**
HRA Housing	N	9,593	3,550	10,556	**23,699**
Other minor schemes	A	(89)	0	0	**(89)**
Total Place Directorate		**50,700**	**33,890**	**36,303**	**120,893**
Corporate Resources Directorate:					
Revenue Reform Projects	N	22,340	8,650	0	**30,990**
Birmingham Property Projects	N	250	0	0	**250**
ICT Infrastructure	A	8,835	(6,935)	4,424	**6,324**
Total Corporate Resources Directorate		**31,425**	**1,715**	**4,424**	**37,564**
Economy Directorate:					
Business Support Programme	N	384	1,096	468	**1,948**
Other City Centre Projects	A	1,000	0	0	**1,000**
Other Planning & Regeneration schemes	A	(51)	0	(990)	**(1,041)**
National College for HS2	A	(1,718)	0	0	**(1,718)**
Transportation Schemes	N	3,615	2,583	25	**6,223**
Total Economy Directorate		**3,230**	**3,679**	**(497)**	**6,412**
Total New Schemes / Resources		**86,335**	**39,284**	**40,230**	**165,849**

Note: this includes some re-phasing between years where additional resources have been identified for existing programmes and the removal of budgets where savings have been identified.

A - Amendment

N - New

APPENDIX 12

10 YEAR CAPITAL PROGRAMME 2017/18 TO 2026/27

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
PEOPLE DIRECTORATE											
Adults & Communities	**13,275**	**5,279**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**18,554**
Children, Young People & Families	**66,380**	**51,551**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**117,931**
TOTAL CAPITAL - PEOPLE DIRECTORATE	**79,655**	**56,830**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**136,485**
PLACE DIRECTORATE											
Highways - General Fund	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Private Sector Housing	**50,254**	**30,758**	**25,747**	**19,000**	**19,000**	**19,000**	**19,000**	**19,000**	**19,000**	**19,000**	**239,759**
Other - General Fund	**38,375**	**551**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**38,926**
HRA											
Housing Improvement Programme	56,000	55,997	56,629	58,856	59,595	59,579	60,291	60,989	61,699	62,413	592,048
Redevelopment	76,941	54,590	44,014	31,706	36,164	24,911	23,861	24,913	25,513	26,128	368,741
Other Programmes	4,855	4,932	5,011	13,903	14,182	14,465	14,755	15,050	15,351	15,657	118,161
Total HRA	**137,796**	**115,519**	**105,654**	**104,465**	**109,941**	**98,955**	**98,907**	**100,952**	**102,563**	**104,198**	**1,078,950**
TOTAL CAPITAL - PLACE DIRECTORATE	**226,425**	**146,828**	**131,401**	**123,465**	**128,941**	**117,955**	**117,907**	**119,952**	**121,563**	**123,198**	**1,357,635**
ECONOMY DIRECTORATE											
Regeneration											
Paradise Circus Redevelopment	13,863	8,521	1,285	1,470	0	0	0	0	0	0	25,139
Site Development & Access	0	0	0	0	0	8,000	0	0	0	0	8,000
Connecting Economic Opportunities	925	0	0	0	0	11,909	0	0	0	0	12,834
Southern Gateway Site	0	1,000	6,142	11,345	1,338	14,705	0	0	0	0	34,530
LEP Investment Fund	0	0	5,000	5,000	5,000	5,000	0	0	0	0	20,000
HS2 - Curzon Street	0	0	7,500	7,500	7,500	7,500	0	0	0	0	30,000
HS2 - Interchange Site	0	0	5,000	5,000	5,000	5,000	0	0	0	0	20,000
Snow Hill Public Realm	0	0	0	0	0	0	0	0	0	0	0
Southside Links	231	0	0	0	0	0	0	0	0	0	231
One Station	521	0	0	0	0	0	0	0	0	0	521
Centenary Square	9,996	0	0	0	0	0	0	0	0	0	9,996
EZ Phase - Curzon Extention	3,500	15,950	11,300	11,100	9,700	63,400	69,600	75,800	74,400	74,250	409,000
Other Regeneration Schemes	21,898	7,463	468	0	0	0	0	0	0	0	29,829
Employment Services - HS2 College	9,446	0	0	0	0	0	0	0	0	0	9,446
Total Planning & Regeneration	**60,380**	**32,934**	**36,695**	**41,415**	**28,538**	**115,514**	**69,600**	**75,800**	**74,400**	**74,250**	**609,526**

APPENDIX 12

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Total Transportation	37,981	11,241	25	0	0	0	0	0	0	0	49,247
Total Economy	98,361	44,175	36,720	41,415	28,538	115,514	69,600	75,800	74,400	74,250	658,773
CORPORATE RESOURCES DIRECTORATE											
Corporate Resources	59,787	29,173	9,524	0	0	0	0	0	0	0	98,484
Total Capital Programme	464,228	277,006	177,645	164,880	157,479	233,469	187,507	195,752	195,963	197,448	2,251,377
Resources											
Use of Specific Resources											
Grants & Contributions	158,856	93,407	8,260	15,904	13,774	11,156	13,306	10,194	10,457	10,728	346,042
Use of earmarked Capital Receipts	74,775	24,946	12,339	19,000	19,000	19,000	19,000	19,000	19,000	19,000	245,060
Revenue Contributions - Departmental	9,207	31	0	0	0	0	0	0	0	0	9,238
- HRA	54,014	61,591	66,048	69,561	77,167	68,799	66,601	71,758	73,106	74,470	683,115
- Income Generation	0	0	0	0	0	0	0	0	0	0	0
Total Specific Resources	296,852	179,975	86,647	104,465	109,941	98,955	98,907	100,952	102,563	104,198	1,283,455
Use of Corporate or General Resources											
Prudential Borrowing - General	28,971	23,889	20,050	0	0	0	0	0	0	0	72,910
Unsupported Prudential Borrowing - Corporate	0	0	0	0	0	0	0	0	0	0	0
Unsupported Prudential Borrowing - Directorate	138,405	73,142	70,948	60,415	47,538	134,514	88,600	94,800	93,400	93,250	895,012
Total Corporate Resources	167,376	97,031	90,998	60,415	47,538	134,514	88,600	94,800	93,400	93,250	967,922
Total Use of Resources	464,228	277,006	177,645	164,880	157,479	233,469	187,507	195,752	195,963	197,448	2,251,377

Footnote:

This appendix shows capital plans over the ten year Long Term Financial Plan period, for those projects where longer term plans have been developed. Long term plans will be subject to ongoing review to ensure that any expenditure plans are within a prudent forecast of resources. Please note that many projects do not have such long term planning horizons, and the absence of forecasts does not mean that no spend is anticipated, just that it cannot yet be reasonably quantified.

Appendix 13

Analysis of Prudential Borrowing

	2017/18	2018/19	2019/20	Total
	£000s	£000s	£000s	£000s
Major Self Financed Prudential Borrowing				
Enterprise Zone	19,040	25,471	36,227	**80,738**
Metro Extension	14,462	-	-	**14,462**
Housing Private Sector - In Reach	49,604	30,139	25,197	**104,940**
Wholesale Markets	2,805	-	-	**2,805**
Sport & Physical Activity	2,399	-	-	**2,399**
Fleet & Waste Management Transformation	7,606	16	-	**7,622**
Bereavement Services	6,195	-	-	**6,195**
Other	651	-	-	**651**
Total Self Financed	**102,762**	**55,626**	**61,424**	**219,812**
Major Prudential Borrowing with net impact on Council revenue resources				
Swimming Pool Facilities	11,239	360	-	**11,599**
IT Infrastructure & Upgrades	20,052	15,945	9,523	**45,520**
Other	33,323	25,100	20,051	**78,474**
Total Capital projects requiring revenue resources	**64,614**	**41,405**	**29,574**	**135,593**
Total Prudential Borrowing	**167,376**	**97,031**	**90,998**	**355,405**

DEBT AND PRUDENTIAL INDICATORS

Appendix 14a

	WHOLE COUNCIL	**17/18 Indicators £m**	**18/19 Indicators £m**	**19/20 Indicators £m**
	Capital Finance			
1	Capital Expenditure - Capital Programme	464.2	277.0	177.6
2	Capital Expenditure - other long term liabilities	27.9	30.4	36.0
3	Capital expenditure	492.1	307.4	213.6
4	Capital Financing Requirement (CFR)	4,621.7	4,590.8	4,568.5
	Planned Debt			
5	Peak loan debt in year	3,845.9	3,766.2	3,623.6
6	+ Other long term liabilities (peak in year)	471.0	448.8	432.0
7	= Peak debt in year	4,316.9	4,215.0	4,055.6
8	does peak debt exceed year 3 CFR?	no	no	no
		354.1	353.8	416.4
	Prudential limit for debt			
9	Gross loan debt	4,200.0	4,120.0	4,040.0
10	+ other long term liabilities	500.0	480.0	460.0
11	= Total debt	4,700.0	4,600.0	4,500.0

Notes

4 The Capital Financing Requirement represents the underlying level of borrowing needed to finance historic capital expenditure (after deducting debt repayment charges).This includes all elements of CFR including Transferred Debt.

5-7 These figures represent the forecast peak debt (which may not occur at the year end). The Prudential Code calls these indicators the Operational Boundary.

8 It would be a cause for concern if the Council's loan debt exceeded the CFR, but this is not the case due to positive cashflows, reserves and balances. The Prudential Code calls this Borrowing and the Capital Financing Requirement.

11 The Authorised limit for debt is the statutory debt limit. The City Council may not breach the limit it has set, so it includes allowance for uncertain cashflow movements and potential borrowing in advance for future needs.

DEBT AND PRUDENTIAL INDICATORS **Appendix 14b**

	HOUSING REVENUE ACCOUNT	**17/18 Indicators £m**	**18/19 Indicators £m**	**19/20 Indicators £m**
	Capital Finance			
1	Capital expenditure	137.8	115.5	105.7
	HRA Debt			
2	Capital Financing Requirement (CFR)	1,098.2	1,086.9	1,084.2
3	Statutory cap on HRA debt	1,150.4	1,150.4	1,150.4
	Affordability			
4	HRA financing costs	96.5	96.4	97.2
5	HRA revenues	283.8	279.9	275.7
6	HRA financing costs as % of revenues	34.0%	34.4%	35.3%
7	HRA debt : revenues	3.9	3.9	3.9
8	Forecast Housing debt per dwelling	£17,722	£17,678	£17,786
9	Estimate of the incremental impact of new capital investment decisions on housing rents. (expressed in terms of ave. weekly housing rent)	£0.00	£0.00	£0.00

Notes

2-3 The HRA Capital Financing Requirement (CFR) is being used by the Government as the measure of HRA debt for the purposes of establishing a cap on HRA borrowing for each English Housing Authority.

4 Financing costs include interest, and depreciation rather than Minimum Revenue Provision (MRP), in the HRA

7 This indicator is not in the Prudential Code but is a key measure of long term sustainability. This measure is forecast to fall below 2.0 by 2026/27, which is two years later than previously forecast.

8 This indicator is not in the Prudential Code but is a key measure of affordability: the HRA debt per dwelling should not rise significantly over time

9 The cost of borrowing for the Capital Programme represents the interest and repayment costs arising from any new prudential borrowing introduced in the capital programme since the last quarter, expressed in terms of an average weekly rent. The calculation excludes the cost of borrowing which is funded from additional income or savings. As all planned HRA borrowing is funded from additional income in this way, the impact is zero. The Prudential Code calls this the Estimate of the incremental impact of capital investment decisions on housing rents.

DEBT AND PRUDENTIAL INDICATORS

Appendix 14c

	GENERAL FUND	17/18 Indicators £m	18/19 Indicators £m	19/20 Indicators £m
	Capital Finance			
1	Capital expenditure (including other long term liabilities)	354.3	191.8	107.9
2	Capital Financing Requirement (CFR)	3,523.5	3,503.9	3,484.2
	General Fund debt			
3	Peak loan debt in year	2,747.7	2,679.3	2,539.4
4	+ Other long term liabilities (peak in year)	471.0	448.8	432.0
5	= Peak General Fund debt in year	3,218.7	3,128.1	2,971.4
	General Fund Affordability			
6	Total General Fund financing costs	265.6	273.2	266.9
7	General Fund net revenues	821.8	815.2	804.5
8	General Fund financing costs (% of net revenues)	32.3%	33.5%	33.2%
9	Estimate of the incremental impact of new capital investment decisions on Council Tax.	£0.00	£0.00	£0.00
	Expressed in terms of Council Tax (Band D equiv)			
	(impact already included in Council Tax increases assumed in LTFP)			

Note

4 Other long term liabilities include PFI, finance lease liabilities, and transferred debt liabilities

6 Financing costs include interest and MRP (in the General Fund), for loan debt, transferred debt, PFI and finance leases

8 This indicator includes the gross revenue cost of borrowing and other finance, including borrowing for the Enterprise Zone and other self-supported borrowing.

9 The incremental impact of new capital investment decisions represents the interest and repayment implications arising from any changes in forecast prudential borrowing in the capital programme since the last quarter, expressed in terms of Council Tax at Band D. Any implications are cumulative in later years as successive years' borrowing is added. Any impact has been funded within the Long Term Financial Plan and assumed Council Tax charges up to 2017/18. The calculation excludes the cost of borrowing which is funded from additional income or savings. All the changes in forecast prudential borrowing relate to self-funding projects, so there is no net incremental impact on Council Tax.

PRUDENTIAL INDICATORS

Appendix 14d

	TREASURY MANAGEMENT	Indicators	17/18 Forecast	18/19 Forecast	19/20 Forecast
	CIPFA Treasury Management Code				
1	Has the authority adopted the TM Code?	Yes	Yes	Yes	Yes
	Interest rate exposures	**Limit**	**Forecast Maximum**	**Forecast Maximum**	**Forecast Maximum**
2	upper limit on fixed rate exposures	130%	90%	85%	88%
3	upper limit on variable rate exposures	30%	23%	21%	19%
4	Gross Debt as a percentage of Net Debt	130%	101%	101%	101%
	Maturity structure of borrowing	**Limit**	**Forecast**	**Forecast**	**Forecast**
	(lower limit and upper limit)		**Year End**	**Year End**	**Year End**
5	under 12 months	0% to 30%	19%	21%	18%
6	12 months to within 24 months	0% to 30%	6%	4%	1%
7	24 months to within 5 years	0% to 30%	6%	3%	4%
8	5 years to within 10 years	0% to 30%	9%	14%	13%
9	10 years to within 20 years	5% to 40%	20%	20%	20%
10	20 years to within 40 years	10% to 60%	33%	34%	38%
11	40 years and above	0% to 40%	6%	5%	6%
	Investments longer than 364 days	**Limit**	**Forecast**	**Forecast**	**Forecast**
	upper limit on amounts maturing in:				
12	1-2 years	200	0	0	0
13	2-3 years	100	0	0	0
14	3-5 years	100	0	0	0
15	later	0	0	0	0

Note

2-10 These indicators assume that LOBO loan options are exercised at the earliest possibility, and are calculated as a % of net loan debt.

Appendix 14e

Matters taken into account in setting Prudential Indicators

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

Affordability, e.g. Implications for Council Tax

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

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

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

Value for Money, e.g. Option Appraisal

The City Council's executive decision-making process and "Gateway" appraisal process provide a robust framework for the appraisal and approval of capital projects and programmes, taking account of value for money and options appraisal.

Stewardship of Assets, e.g. Asset Management Planning

Service Asset and Capital Strategies are reported elsewhere in this Financial Plan.

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

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

Practicality, e.g. Achievement of the Forward Plan

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

DEBT REPAYMENT POLICY

Minimum Revenue Provision Statement

Introduction

1. The Government's Capital Finance and Accounting Regulations require local authorities to make 'prudent annual provision' in relation to capital expenditure financed from borrowing or credit arrangements. This is known as Minimum Revenue Provision or MRP, but it is often referred to as a provision for "debt repayment" as a shorthand expression. The Government has also issued statutory guidance on MRP, to which the City Council is required to have regard.

2. This policy applies to the financial years 2016/17 and 2017/18. Any interpretation of the statutory guidance or this policy will be determined by the Strategic Director - Finance & Legal.

Principles of Debt Repayment Provision

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

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

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

4. The City Council considers that 'prudent' in this context does not mean the quickest possible repayment period, but has regard to the prudent financial planning of the authority overall, the flow of benefits from the capital expenditure, and other relevant factors.

5. This MRP Policy therefore takes account of the financial forecast in the Council's ten year LTFP in determining what is prudent MRP in the circumstances. In particular, this takes account of the funding needs of Equal Pay settlements (paragraph 14 below) and the need for an orderly financial transition as the City Council adjusts to further substantial funding reductions.

6. Consistent with the statutory guidance, the City Council will not review the individual asset lives used for MRP as a result of any changes in the expected life of the asset or its actual write off. Some assets will last longer than their initially estimated life, and others will not; the important thing is the reasonableness of the estimate.

General Fund MRP Policy: Borrowing before 2007/08

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

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

General Fund MRP Policy: Prudential Borrowing from 2007/08

8. The general repayment policy for new prudential borrowing is to repay borrowing within the expected life of the asset being financed. This is in accordance with the "Asset Life" method in the guidance.

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

This is subject to the following details:

8.1 An average asset life for each project will normally be used. This will be based on the asset life normally used for depreciation accounting purposes (recognising that MRP is estimated at the start of the project, whereas depreciation is not determined until the project has finished, so there may be estimation differences). There will not be separate MRP schedules for the components of a building (e.g. plant, roof etc.). Asset life will be determined by the Strategic Director - Finance & Legal. A standard schedule of asset lives will generally be used, but where borrowing on a project exceeds £10m, advice from Acivico or other appropriate advisers may also be taken into account.

8.2 MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets where over £1m financed from borrowing is planned, where MRP will be deferred until the year after the asset becomes operational.

8.3 Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of Strategic Director - Finance & Legal.

8.4 If appropriate, shorter repayment periods (i.e. less than the asset life) may be used for some or all new borrowing.

Housing Revenue Account MRP policy

9. The statutory MRP Guidance states that the duty to make MRP does not extend to cover borrowing or credit arrangements used to finance capital expenditure on HRA assets. This is because of the different financial structure of the HRA, in which depreciation charges have a similar effect to MRP. The Government's HRA self-financing settlement, introduced a cap on HRA borrowing, which was equal to the City Council's opening HRA debt at April 2012. The City Council's policy is therefore that net HRA debt will reduce over the medium term, in order to deliver a debt to revenues ratio of below 2:1 by 2033/34. This will support the maintenance of a balanced and sustainable HRA Business Plan with the capacity to meet investment needs in later years. The City Council will also seek to deliver a reduction in HRA debt per dwelling.

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

	£m	
2017/18	(£24.8)	
2018/19	(£11.3)	
2019/20	(£2.7)	
2020/21	(£2.8)	
2021/22	(£1.6)	
2022/23	(£13.6)	
2023/24	(£19.7)	
2024/25	(£18.2)	
2025/26	(£20.3)	
2026/27	(£23.1)	
2027/28	(£19.3)	
2028/29	(£23.2)	
2029/30	(£27.3)	
2030/31	(£31.6)	
2031/32	(£36.3)	
2032/33	(£41.3)	
2033/34	(£46.6)	(2:1 debt to revenue ratio achieved)

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

Concession Agreements and Finance Leases

10. MRP in relation to concession agreements (e.g. PFI contracts) and finance leases will be calculated on an asset life method using an annuity repayment profile, consistent with the method for prudential borrowing in Section 8 above. The Strategic Director - Finance & Legal may approve that such debt repayment provision may be made from capital receipts rather than from revenue provision. This provision is being utilised in this Financial Plan for 2017/18 and 2018/19.

Transferred Debt

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

Specific situations:

Statutory capitalisations

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

Cashflows

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

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

Equal Pay settlements

14. The City Council has plans in place to fully fund Equal Pay settlement liabilities, primarily from capital receipts. However, there are risks to the timing and quantum of future capital receipts. As a risk management mechanism, MRP may be reduced if there are insufficient capital receipts to fund Equal Pay settlement costs in that year. The revenue saving will then be used to meet the settlement costs.

15. Any such reduction will be made good by setting aside equivalent future capital receipts to provide for debt repayment, when there is a surplus of capital receipts available after funding Equal Pay settlements. As a minimum, any such reduction in MRP will be repaid over 20 years as a charge to revenue account on an annuity profile.

Capitalised loans to others

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

Enterprise Zone

17. Borrowing by the City Council related to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP), and which is supported by additional Business Rates from the EZ or from other GBSLEP income, will be repaid within the lifetime of the EZ or other associated income stream (subject to the estimated life of the assets being funded). This was previously 2038, but an extension has been agreed to 2046. This means that the repayment period for EZ-supported borrowing will reduce each year so that all EZ debt can be repaid by 2046.

Voluntary repayment of debt

18. The Council may make additional voluntary debt repayment provision from revenue or capital resources. In this case, the Strategic Director – Finance & Legal may make an appropriate reduction in later years' levels of MRP.

19. Where it is proposed to make a voluntary debt repayment provision in relation to prudential borrowing from 2007/08 under the asset life method, it may be necessary to decide which assets the debt repayment relates to, in order to determine the reduction in subsequent MRP. The following principles will be applied by the Strategic Director - Finance & Legal in reaching a prudent decision:

- where the rationale for debt repayment is based on specific assets or programmes, any debt associated with those assets or programmes will be repaid
- where the rationale for debt repayment is not based on specific assets, debt representative of the service will be repaid, with a maturity reflecting the range of associated debt outstanding.

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

Based on historic capital financing and the current capital programme, the General Fund CFR is fully repaid by 2063 (excluding PFI). PFI finance will be fully repaid 40 years after the final capital expenditure under the City Council's PFI contracts.

TREASURY MANAGEMENT POLICY

1. Overview

This appendix sets out the City Council's proposed Treasury Management Policy. This sets the overall framework and risk management controls which are used in carrying out the City Council's borrowing, lending and other treasury activities.

It incorporates the contents of an Investment Strategy as recommended by the Government's Guidance on Local Authority Investments.

This Policy remains largely unchanged from the Policy set out in the Business Plan and Summary Budget 2016+.

2. Statutory Guidance

2.1 In setting out the City Council's policy framework for the conduct of its treasury management, this document takes account of:

- CIPFA's Code of Practice for Treasury Management in the Public Services
- CIPFA's Prudential Code for Local Authority Capital Finance and
- The Government's Guidance on Local Authority Investments.

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

3. The City Council's Treasury Management Objectives

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

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

3.2 Effective treasury management will provide support towards the achievement of the City Council's business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.[2]

Attitude to Treasury Management Risks

3.3 The City Council attaches a high priority to a stable and predictable charge to revenue from treasury management activities, because borrowing costs form a significant part of the City Council's revenue budget. 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 3.1, 3.2, 3.6 and the final sentence of 4.3 are required by the CIPFA Treasury Management Code

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

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

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

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

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

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

4. Setting Limits to Manage Treasury Management Risks[3]

Interest Rate Exposures

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

[3] Throughout this Business Plan, debt and investments are expressed at nominal value, which may be different from the amortised cost value required in the statutory accounts.

Table 16.1

Prudential Limits - Interest Rate Exposure

	% of loan debt (net of investments):		
	2017/18	2018/19	2019/20
upper limit on net fixed rate exposures	130%	130%	130%
upper limit on net variable rate exposures	30%	30%	30%

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

Maturity Profile

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

Table 16.2

Prudential Limits - Maturity Structure of Fixed Rate Borrowing

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

Policy for Borrowing in Advance of Need

4.3 Government investment guidance expects local authorities to have a policy for borrowing in advance of need, in part because of the credit risk of investing the surplus cash. The City Council's policy is to borrow to meet its forecast Net Loan Debt, including an allowance (currently of £40m) for liquidity risks. 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 forecast capital programme, to replace maturing loans, or to meet other expected cashflows.

4.4 The City Council is a substantial net borrower and only has cash to invest for relatively short periods as a result of positive cashflow or borrowing in advance of expenditure. The City Council considers all its treasury risks together, taking account of the investment risks which arise from decisions to borrow in advance. Such decisions need to weigh the financial implications and risks of deferring borrowing until it is needed (by which time fixed interest rates may have risen), against the cost of carry and financial implications of reinvesting the cash proceeds until required. This will be a matter of treasury judgement at the time, within the constraints of this policy, and treasury management delegations.

Investment Policy for Temporarily Surplus Cash

4.5 The City Council's cashflows and treasury management activity will generally result in temporarily surplus cash to be invested. These investments are referred to as 'treasury investments'.

The City Council may also make investments for non-treasury purposes, such as the Loans and Equity portfolios created in support of the City Council's regeneration objectives. The purchase and management of these non-treasury investments is governed under any arrangements set out in the relevant executive decision reports. Such reports will include an evaluation of the financial implications and risks, and should take account of the statutory Guidance on Local Government Investments as appropriate.

The following paragraphs set out the City Council's policy for treasury investments.

4.6 The investment of temporarily surplus cash results in credit risk. In accordance with Government investment guidance, the City Council distinguishes between:

- 'Specified Investments' which mature within 12 months and have a 'high credit quality' in the opinion of the authority.
- 'Non-specified Investments' which are long term investments (i.e. maturing in 12 months or more), or which do not have such high credit quality. The Government views these as riskier. Such investments require more care, and are limited to the areas set out in the policy for Non-specified Investments below.

4.7 Low investment risk is a key treasury objective, and in accordance with Government and CIPFA guidance the City Council will seek a balance between investment risk and return that prioritises security and liquidity over achieving a high return. The City Council will consider secured forms of lending such as covered bonds and repo agreements, but these instruments are not generally available for short term and smaller size deposits. The City Council will continue to make deposits only with institutions having high credit quality as set out in the Lending Criteria table below. The main criteria and processes which deliver this are set out in the following paragraphs.

Specified Investments

4.8 The City Council will limit risks by applying lending limits and criteria for 'high credit quality' as shown in Table 16.3:

Table 16.3 Lending Criteria

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

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

4.9 Money may be lent to the City Council's own banker, in accordance with the above lending limits. However, if the City Council's banker does not meet the above criteria, money may only be lent overnight (or over the weekend), and these balances will be minimised. Lending to local authorities may include the WMCA.

The City Council may also provide short term supply chain finance where the credit risk is based on the City Council's own payment on the invoice due date, and in relation to invoices payable by other bodies meeting the above lending criteria.

4.10 Credit ratings are monitored on a real-time basis on information from the City Council's Treasury Management advisers, and the City Council's lending list is updated accordingly, when a rating changes. Other information is taken into account when deciding whether to lend. This may include the ratings of other rating agencies; commentary in the financial press; analysis of country, sector and group exposures; and the portfolio make up of Money Market Funds. The use of particular permitted counterparties may be restricted if this is considered appropriate.

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

Non-specified Investments and Limit

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

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

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

Investment Maturity

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

Table 16.4

Prudential limits on investing principal sums for over 364 days:

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

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

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

5. Policy for HRA Loans Accounting

The City Council attributes debt and debt revenue consequences to the HRA using the 'two pool' method set out in the CIPFA Treasury Management Code. This method attributes a share of all pre-April 2012 long term loans to the HRA. Any new long term loans for HRA purposes from April 2012 are separately identified. The detailed accounting policy arising from the 'two pool' method is maintained by the Strategic Director - Finance & Legal.

6. The Council Acting as Agent

6.1 The City Council acts as intermediary in its role as agent for a number of external bodies. This includes roles as accountable body, trustee, and custodian, and these may require the City Council to carry out treasury management operations as agent. The Strategic Director - Finance & Legal will exercise the City Council's treasury responsibilities in accordance with the City Council's treasury delegations and relevant legislation, and will apply any specific treasury policies and requirements of the external body. In relation to the short term cash funds invested as accountable body, the City Council expects to apply the investment policy set out above.

7. Reporting and Delegation

7.1 A Treasury Management Strategy report is presented as part of the annual business plan to the City Council before the start of each financial year. Monitoring reports are presented quarterly to Cabinet, including an Annual Report after the year end.

7.2 The management of borrowings, loans, debts, investments and other assets has been delegated to the Strategic Director - Finance & Legal acting in accordance with this Treasury Policy Statement. This encompasses the investment of trust funds where the City Council is sole trustee, and other investments for which the City Council is responsible such as accountable body funds. The Strategic Director - Finance & Legal reports during the year to Cabinet on the decisions taken under delegated treasury management powers.

7.3 In exercising this delegation, the Strategic Director - Finance & Legal may procure, appoint and dismiss brokers, arranging and dealer banks, investment managers, issuing and paying agents, treasury consultants and other providers in relation to the City Council's borrowing, investments, and other treasury instruments, and in relation to funds and instruments where the City Council acts as agent.

7.4 The Strategic Director - Finance & Legal maintains statements of Treasury Management Practices in accordance with the Code:

TMP1	Treasury risk management
TMP2	Performance measurement
TMP3	Decision-making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Treasury management organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money laundering

TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance

8. Training

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

Equality Analysis

1.1 Introduction

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

1.2 Equality Act (2010)

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

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

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

The PSED does not prevent the council from making difficult financial decisions. It does, however, require all decisions to be made in a fair, transparent and accountable way, with full consideration of the needs of different individuals and communities and the potential impact on groups defined by reference to 'protected characteristics'. To the extent that any disproportionate impact on such groups which results from particular proposals cannot be avoided by mitigating actions, these proposals cannot proceed without re consideration by the council.

Similarly, to the extent that particular proposals are otherwise likely to interfere with the pursuit of equality and/or good relations between persons of different groups defined by reference to relevant characteristics, considerations will have to be given to whether these outcomes are justified by the aims pursued.

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

These factors may include, for example, budgetary pressures, economic and practical factors.

1.3 The council's equality analysis methodology

The Council has an established equality analysis methodology which supports the council in its approach to delivering the savings proposals as a result of the Council's available financial envelope. This process is necessary in terms of maintaining quality, consistency and ensuring that due consideration has been given to meet our legal responsibilities.

The Budget 2017+ Consultation Report at Appendix 18, aims to provide an overview of what our analysis is currently telling us and to highlight emerging themes that may have a wider impact on groups defined by reference to protected characteristics. It will inform the council's further equality assessment analysis work which will help identify whether there are other options or mitigations for delivering the savings proposal.

Equality Assessment are living documents that change and are updated as the equality implications of a decision and any alternative options or proposals are considered. The feedback received as set out in the Budget 2017+ Consultation Report will support decision making before service specific proposals are implemented.

1.4. Consultation Framework for the Financial Plan

There are three types of consultation which the council undertakes as part of the planning and implementation process.

Corporate Consultation - The corporate consultation gives all local residents and staff the chance to have their say on the council's overall budget proposals. The results of this consultation inform the council's executive before finalising the council's Financial Plan 2017+ at full council.

Directorate-based consultation with the general public and service users on individual proposals so that no new service specific proposal (as identified in Appendix 5 of the Financial Plan 2017+) will be implemented until the Financial Plan 2017+ has been approved by Full Council and the requisite public sector equality duty or other statutory consultation has taken place, that decision makers have had 'due regard' to issues arising from this equality process and the necessary governance process has been completed.

Consultation with Trades Unions and Employees - The collective consultation is formal consultation and negotiation with the employees and trades unions about possible job losses and the proposed changes to terms and conditions of employment. This consultation starts at the same time as the corporate budget consultation and continues for at least 45 days or longer if necessary to ensure that it is meaningful.