

REPORT TO RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

14 JANUARY 2021

BUDGET SUFFICIENCY REVIEW – NEIGHBOURHOODS DIRECTORATE

EXECUTIVE RESPONSE

Introduction

Further to the re-basing of budgets in the Neighbourhoods Directorate during the financial year 2020/2021, CIPFA were asked to support the Directorate to ensure that the budget allocation to the Directorate is sufficient and represents the services being delivered within the 2021/22 General Fund budget.

CIPFA considered four service groupings in line with Assistant Director responsibilities:

- Housing
- Neighbourhoods
- Regulatory and Enforcement
- Streetscene

The Approach

The approach was agreed by the Chief Finance Officer and the Acting Director, Neighbourhoods, and was based on comparative analysis; documentation review and interviews in addition to a review of non-financial data used within the Directorate.

Previous outturn reports were tracked against original budgets with a narrative developed as to why there had been variances.

Reported expenditure was compared against all Metropolitan District Councils (based on RO Returns).

Performance was also reviewed to gain an understanding of Value for Money with the delivery of services.

Review focused on 'Budget Sufficiency' items put forward following discussions with the Assistant Directors.

The Executive Summary of the report is attached - Appendix 1.

CIPFA Conclusions

A summary of the conclusions are as follows:

Housing Division

- The budget is insufficient to meet the demand for services. The scale of the operation is significant.
- There are major pressures due to the numbers presenting as homeless.
- The proposed investment by the service in relation to prevention work is the right approach, in principle, and the budget sufficient with these investments.

Neighbourhoods Division

- The budget is sufficient to manage services.
- The risk to the service is that the budget includes provision for a number of buildings, many of which are old, and for which there is limited revenue and capital available. If any building should fail, then there would be a loss of income.

Regulation and Enforcement

- The budget is sufficient subject to the shortfalls in income being addressed as set out below.
- This mainly relates to an under-achievement of income targets in Bereavement and in Markets which needs to be addressed. There is a need for a strategic review of the future income generating capability of the Bereavement Service and the Markets.
- There are minor ongoing unquantified risks, including Coroners Court.

Streetscene

- The budget is insufficient, and there are some significant issues as follows:
 - Grounds Maintenance – need to review how the budgets are recorded in the Council's budget. Currently internal recharge. This is not a budget sufficiency issue.
 - Trade Waste - highly competitive market. Flatness of income levels indicates budget sufficiency adjustment should be made following a wide-ranging review of the service.
 - Garage - detailed review needed to understand the increase in costs. Budget adjustment is likely to be needed subject to the result of the review.
 - Street Cleansing - service is meeting its target – no adjustment needed. A detailed business case is recommended.
 - Recycling Income - too early to judge whether downturn is a long-term issue requiring a permanent budget adjustment.
 - There is a need to look at the long-term future of the Waste Collection Service, especially with changes to legislation on the horizon and the current level of performance benchmarked against others.

CIPFA Conclusions and Budget Sufficiency Additions

BUDGET SUFFICIENCY PRESSURES	21/22	22/23	23/24	Onwards
Housing Service Group				
Investment to commence prevention of Homelessness Strategy. (+ £0.3 m charged to HRA)	2,600	2,600	2,600	2,600
Temporary Accommodation.	7,400	8,700	-500	-8900
Housing Service Group Total	10000	11300	2100	-6300
Regulatory & Enforcement Service Group				
Bereavement Services - Loss of Income	446	446	446	446
Markets - Loss of income	670	670	670	670
Proceeds of Crime adjustment	60	60	60	60
Regulatory & Enforcement Service Group Total	1176	1176	1176	1176
Streetscene Service Group				
Waste Disposal Project – External Legal advice	237	165		
Trade Waste income	1,500	1,500	1,500	1,500
Garage costs/Hire Costs from delay in new vehicles.	1,900	1,900	1,900	1,900
Streetscene Service Group Total	3637	3565	3400	3400
Subject to amount of new vehicles acquired				

CIPFA Comparison with Metropolitan Councils

Housing Division

The average cost for Metropolitan Districts has remained stable, however, since 2016/17 the Council has seen a steep increase in net cost per head of population.

In 2018/19 Birmingham Council was four times as costly as the average.

Bed & Breakfast accommodation is the dominant cost - in 2014/15 represented 11% of total cost but in 2018/19 represented 51.4%.

Income from accommodation has always significantly exceeded the average for a Metropolitan Council.

In 2018/19 Birmingham Council was in the bottom quartile for these services by comparison.

Housing Performance

Every year except 2014/15 failed to operate within original budget.

Major driver has been Temporary Accommodation.

Mandatory licensing expanded in October 2018.

Selective licensing scheme due to come into place in 2018, however this did not come to fruition – report to December 2020 Cabinet.

Proposed move to a preventative strategy.

Service not currently meeting its targets for preventing and relieving homelessness.

Business case developed setting out redesign proposal and associated financial implications – eradicating B&B over 4 years.

Birmingham has approximately twice as many as the average of households on the housing waiting list.

Neighbourhoods Division

Since 2014/15 the average cost per head of population has seen a downward trend for all Metropolitan Councils.

Over the same period the Council's expenditure has declined for this service group.

The most significant area of reduction is in Neighbourhood Community Services and Advice, but also support to the Arts.

Total service group budget has declined from £53.1 million in 2013/14 to £16.7 million in 2018/19.

Unable to be compared with the RO returns for other local authorities.

Neighbourhoods Division – Performance

The service group has not always operated within its budget – in 2017/18 there was a significant overspend in Events, Sport and Wellbeing.

An underlying budget issue resulted in a £3.9m rebasing of the budget part way through 2019/20.

2020/21 – shortfalls in income for Community Centres; Wellbeing and Internal Leisure Centres and Contracted Leisure services – impact of Covid-19.

Major assets of this service group are the buildings used, many of which are old. The service carries limited revenue and capital resources so should any building fail then there would be a loss of income.

Regulation and Enforcement

Since 2014/15 cost per head of population has been consistently close to the Metropolitan District average.

The service group started as more expensive than average, moved to less expensive, but is now more expensive again.

Since 2016/17 cost increased significantly reversing previous downward trend.

Employee costs as a proportion of total costs rose during the period from 54% to 62%.

Expenditure on sites has reduced making employee costs a greater proportion of total cost.

Significant level of income received from Cemetery, Cremation and Mortuary Services.

Income through Sales, Fees and Charges previously above average, however, now below.

Income has been affected by price increases that have led to weaker demand.

Loss of income from the closure of the Wholesale Market is also a factor.

Regulation and Enforcement - Performance

The service group has not always been able to remain within its original budget; most noticeable in 2015/16 when the original budget contained an unattainable income target that was subsequently withdrawn.

Since then budgets variations have stabilised.

2019/20 was overspent largely due to failure to achieve income targets in Bereavement Services and Markets.

This was exacerbated for 2020/21 by an increase in the Bereavement income target that led to a price increase weakening demand and increasing income shortfall.

There is a need to deal with income issues and whilst a strategic review of the future income from the Markets is already planned, there does need to be some market analysis undertaken for the Bereavement Service.

Parts of this service are not meeting their service standards (Food Safety and Registration, although there have been improvements during 2019/2020).

Street Scene Division

Since 2014/15 cost trend is increasing significantly whilst the average of all the Metropolitan District Councils reduced slightly.

At the beginning of the period Waste Disposal was dominant cost area.

Waste Collection now represents the highest single proportion of cost.

Three services have become significantly more expensive - Open Spaces, Waste Collection and Waste Disposal.

Employee expenses have always been higher than average from 10% higher in 2014/15 to 32% higher in 2018/19.

Waste Collection – increase in employee costs is from 63% higher to 118%.

Open Spaces and Recycling – employee costs have more than doubled.

Cost increase partially offset by significant increase in income compared to average.

2018/19 comparison shows above average costs and just better than the worst quartile.

Street Scene – Performance

Since 2015/16 outturn has not been kept within original budget.

Primarily due to Collection Services and Street Cleaning.

2020/21 pressures include waste procurement project, trade waste income, reduced income from recycling, delay to service redesign and vehicle hire and maintenance costs.

Street Cleansing operate basic service with no capacity for absenteeism or increased Fly Tipping.

Regularity of collection is now achieving a high standard.

LGA Inform 2018/19 – Council in worst quartile for the amount of residual waste per household and the third worst council for recycling against all single tier authorities.

Recent WRAP report benchmarked cost per household for kerbside properties as the most inexpensive of the four West Midlands authorities it compared with. However, survey based on budget rather than outturn which was 68% higher than budget.

National Waste Plan – Councils should increase recycling rate to 65% and reduce landfill to 10% by 2035. Equates to an uplift in recycling rates of around 1.5% every year.

The Wood Report of January 2020 included the need to make a series of improvements

BCC Executive Response

General Comments

The work undertaken by CIPFA is of good quality and represents the task set to determine the sufficiency of general fund budgets for the Neighbourhoods Directorate.

The following comments on the report have been submitted to CIPFA in order to clarify elements of the report and findings as stated in the Executive Summary report:

The opening paragraphs in the report refer to significant overspends through the years in these services, and that significant adjustments had been made to the budgets for 20/21.

To clarify, there are a number of reasons for budget adjustments and overspends. Budgets were **rebased** as a result of issues that needed to be corrected e.g. £3.9m budget rebasing in Neighbourhoods Division: the overspend in Street Scene relates to the industrial action together with the fact that the base budget was insufficient for the required service provision.

Base budget was rebalanced following a detailed review of service requirements against existing budget provision. It is therefore not strictly accurate to compare outturn with original budgets if the original budgets were then increased during the year for a variety of reasons.

Neighbourhoods Division

The report at paragraph 1.16 references a £3.77m budget repair and continued shortfalls in income. The two matters are not linked. The budget repair was required due to a budget setting error.

The review of budgets during 20/21 does however correct previous budgeting issues.

Looking into 2021/22 and beyond, the service will need to track emerging issues such as:

- Increased/supplier relief payments leisure/museums
- Risks related to financial viability of golf courses
- Income shortfalls as a result of Covid likely to take significant time to recover
- Cyclical and general repairs and maintenance (front line buildings, sport pitch replacement, gym equipment etc)
- Ongoing revenue requirement for Moseley Road Baths until external funding bid secured and capital works complete
- The delivery of planned leisure savings in future years given the change in market conditions that now exist
- Securing ongoing investment from Public Health into the health outcomes delivered by City Council Leisure/Wellbeing Centres.

Housing

The Housing Division General Fund commentary will need to be reviewed considering the request for additional funding for the Housing Options service. The service is requesting a year on year budget growth of £2.6m to fund the new operating model, £7.4m extra in 2021/22 for additional B & B and an additional £8.7m in 2022/23 for bed and breakfast.

From 2023/24 onward, it is anticipated that there will be a reduction in the use of B & B and it is anticipated that the service will make savings of £0.5m in 2023/24 and a further £8.9m in 2024/25 on the B & B budget. This will eradicate the use of B & B.

A review of the temporary accommodation rents is underway, which would impact on the budget for 2021/22 onwards.

The Private Rented Sector Budget currently includes an income target of £500k for Selective Licensing. The scheme has not been mobilised due to change in legislation and therefore this income target should be removed. The approval to explore Selective Licensing has been approved by Cabinet, however there is no guarantee the City Council will be able to mobilise the scheme in the near future, due to the stringent criteria that is required to be met.

Street Scene

Overspend in previous years reflects the fact that there was additional expenditure due to industrial action and the fact that the budget did not reflect the services to be delivered.

Waste Disposal costs reduced in 2018 by around £7m after renegotiating the Contract to remove the mortgage payment.

Open Spaces employee budgets have doubled to reflect the fact that the service that was previously contracted. The expenditure therefore appears on the employee budget line rather than the supplies and services budget.

The staffing make-up of waste collection crews has not changed since 2011. The only difference is that the service has moved to full recruitment and therefore is not so heavily reliant on agency, and budgets now reflect actual service provision moving expenditure from agency spend into direct employees.

The report identifies there has been regular overspends within the Service. The overspends reflect that base budget was insufficient for the service provision required. The base budget was adjusted for 2020/21 to address this.

Regulation and Enforcement

The commentary from CIPFA is accepted, and action needs to be taken to address the shortfall in income for Markets and Bereavement Services.

For the purpose of clarification only, the price increase that has led to a reduction in demand and therefore reduced income (referred to in the section on performance above) was applied as part of the budget-making process for 2019/2020.



Robert James
Director, Neighbourhoods



Rebecca Hellard
Chief Finance Officer