

## **BIRMINGHAM CITY COUNCIL**

# **RESOURCES O&S COMMITTEE – PUBLIC MEETING**

**1400 hours on Thursday 21<sup>st</sup> March, Committee Room 2**

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### **Present:**

Councillor Sir Albert Bore (Chair)

Councillors: Meirion Jenkins, Josh Jones, Zaheer Khan, Ewan Mackey and Paul Tilsley

### **Also Present:**

Clive Heaphy, Chief Finance Officer

Jayne Bowles, Scrutiny Officer

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### **1. NOTICE OF RECORDING/WEBCAST**

The Chairman advised the meeting to note that this meeting will be webcast for live and subsequent broadcast via the Council's Internet site ([www.civico.net/birmingham](http://www.civico.net/birmingham)) and that members of the press/public may record and take photographs except where there are confidential or exempt items.

### **2. APOLOGIES**

Apologies were received from Councillor Muhammad Afzal.

### **3. DECLARATIONS OF INTERESTS**

None.

### **4. ACTION NOTES**

(See document 1)

The Chair raised the following points with regard to the action notes of the 14 February meeting:

- Funding for the Commonwealth Games - The list of capital projects and response in relation to the funding for the conversion of properties in the CWG village had been circulated to Members;
- It has been agreed that a further update report will be brought back to Committee in April with a focus on the possible mitigations being looked at to cover any shortfall in partner contributions.

With regard to the report on the HRA funding of waste collection referred to in the 17<sup>th</sup> January action notes, the Chair confirmed that a report would be going to Audit Committee on 26<sup>th</sup> March and copies of the report were circulated to Members. The Chief Finance Officer told Members that the issue was not that it was temporarily funded but that it continued to be funded from that source and possibly should have

switched back and there was a need to ensure that the arrangement for reviewing it was more robust. He would be discussing with the auditor whether a prior year adjustment should be made, however, due to the work involved in doing this, it is more likely that this will be flagged up as a note to the accounts. The auditors have also been asked to do a review of the HRA across all areas to get reassurance that this is not happening on a routine basis elsewhere and if it is to put in mechanisms to stop it.

**RESOLVED:-**

- The action notes of the 14 February 2019 meeting were agreed.

**5. FINANCIAL MONITORING 2018/19 – MONTH 10**

(See document 2)

Clive Heaphy, Chief Finance Officer, attended for this item.

The following were among the main points raised:

- Paragraph 3.2 of the report states that the £3.2m forecast underspend could be used to reduce the use of general reserves to support the budget. The Chief Finance Officer confirmed that this was flagging it up that one of the options is to use that money for that purpose; it could be used for other purposes but all other things being equal that would go back into the general fund reserve;
- Section 6 of the report 'Overview of Future Years' - it has been established that there are £8.8m of forecast savings that are not fully deliverable in 2019/20 reducing to £7m in 2021/22 but that non-delivery has been fully taken into account in setting the budget for future years. Members made the point that this means there is in effect £8.8m sitting in the 2019/20 budget which is for non-delivery of savings and which could have been used for something else;
- The Chief Finance Officer told Members that looking back at Birmingham's history, one of the concerning things was the level of savings that were identified and then not delivered. Going forward from 2019/20 the intention is that nothing comes forward as a saving unless it has an implementation plan attached to it which has been reviewed through the project management office to ensure all directors are held to account in terms of deliverability of these plans;
- We are transitioning between the two phases at the moment and recognising that non-delivery of savings will have impacts elsewhere;

Adult Social Care and Health:

- Paragraph 8.1.7 refers to the challenging savings programme, which the Committee is aware of and Members have already said they will look again at that issue in the new financial year (beyond May);

Children and Young People:

- The report states that there has been no movement in base budget pressure and non-achievement of savings in Travel Assist. The Committee has already accepted that it will pick this up again, probably around Month 3 of the

2019/20 financial year. Members were told that there are concerns around growth in demand and what that means in terms of the budget and Finance are working very closely with the new Director to look at alternative ways of providing this service to meet service users' needs but in a more cost effective way; local authorities generally are experiencing the same pressures with these services;

As has been stated before, the Chief Finance Officer wants to look at re-balancing the budget as some areas are consistently underspending and some are more natural overspenders. There is a need to get the budget balance right and think about re-allocation of resources and it is recognised that there is a structural under-funding in this area, as is the case with Waste;

The Chair stressed that the Children's O&S Committee should be looking at this issue from a service perspective and confirmed that Resources O&S Committee will look at it from a financial perspective around Month 3;

- Paragraph 8.2.2 refers to a budget pressure of £0.5m, with no movement since Month 9, in relation to Day Nurseries which cannot close this financial year due to a delayed Cabinet report. Members were told that there had been a delay of around 3 months in looking at an alternative model. A report had gone to Cabinet saying the decision would be implemented but it is now delayed by a few months so it is a timing difference – originally planned for January, and the understanding is it will come in from April but the Chief Finance officer said that he would verify this;

Place:

- Paragraph 8.3.2 – No change in the £5.4m base budget pressure relating to Waste Services. The Chair pointed out that the 15<sup>th</sup> March report to Cabinet referred to the Chair of Housing and Neighbourhoods O&S Committee as the relevant O&S Chair but that the Chair of Resources O&S Committee should have been included because of the budget implications;
- The report referred to £5.845m but this does not appear anywhere in either the 2018/19 budget or the 2019/20 budget which has now gone through Council and Members asked how that issue will be dealt with. The Chief Finance Officer advised that he has been working with his team to do a deep dive in Month 11 to look at areas where there is underspending, those that are overspending, any other areas likely to come out at year end, and what is left unused in policy contingency and unallocated inflation allowances. This is a normal exercise done late in the year, looking at early emerging figures and the Chief Finance Officer is confident that the cost of £5.845m can be absorbed in the current year and there will still be an underspend for the current year overall;
- A question was asked around the timing of the payments agreed to settle the waste dispute and it was explained that local authorities do their accounting on an accrual basis, so the liability is accounted for at the time it becomes due, not when the payment is made, and the trigger point for these payments will be the date of the settlement agreement. It is anticipated that will happen in March and therefore the liability will be incurred in this financial year;

#### Economy:

- Paragraph 8.4.3 – InReach – A request was made for this paragraph to be put in simple terms and the Chief Finance Officer explained that rather than loan funding for InReach as a company, equity funding has been put into it by using our capital receipts which changes the nature of the external debt (called the gearing factor). Members asked that the wording used in reports be simplified and the Chief Finance Officer agreed to look at using plainer English;

#### Corporate Position:

- Paragraph 8.9.1 – Commercialism. Concerns were raised around the enormous gap between the target of £1.2m savings/income and the amount actually achieved which was £0.1m;
- A particular concern was raised with regard to proposed car parking charges in Sutton Park and reference was made to a report which had gone to the Trusts and Charities Committee recently in relation to another scheme where there were a number of issues, in particular that the appendix containing the figures had not been included with the report, resulting in the report being deferred. The Chief Finance Officer accepted these concerns and advised Members he was looking into the specific examples which had been given;
- He went on to say that he is trying to develop a commercially expert team within the Finance function to give advice on how to look for commercial opportunities in ways which are deliverable and that this team would include finance and legal specialists, together with procurement and contract management people, to assess viability;
- It was acknowledged that there needs to be more precision under general headings such as ‘commercialism’ or ‘efficiency savings’ and that ultimately Finance can’t own them, they have to be owned by the services areas;
- The Head of Commercialism post now comes under the Chief Finance Officer, whose responsibilities now cover finance, legal and governance, procurement, contract management and commercialisation;
- The Chief Finance Officer was asked whether the Star Chamber had had a big impact as far as he was concerned and responded that he thought it had, as it focusses accountability on both the Directors and Cabinet Members and provides an opportunity to identify where there are variances and what actions are being taken;
- In response to a question about whether there was another Section 24 notice being issued to the Council, the Chief Finance Officer confirmed that notification had been given in January of the likely intention of the auditor to issue a further statutory notice under Section 24.

Members were told the auditor met with the Chief Executive and Chief Finance Officer in February with a draft set of recommendations; since then they have been commenting on those in terms of the process, timing and nature and substance of the concerns, but the auditor has now announced his intention to issue statutory recommendations and the final report had just been received.

The requirement is for full Council to consider the recommendations within 30 days and it was confirmed that they would be sent to all Members that afternoon and it will be on the agenda for the 2<sup>nd</sup> April City Council meeting. As it is also good practice to give the Audit Committee an opportunity to comment before it goes to full Council, it had been agreed for this to be included as a late item on the agenda for the Audit Committee meeting on 26<sup>th</sup> March.

It was agreed that Members would wait to see what the auditor's report said and the comments made by Audit Committee before deciding whether anything needed to be brought back to this Committee.

**RESOLVED:-**

- The report was noted.

**6. WORK PROGRAMME**

(See document 3)

The Work Programme was discussed.

The Chair advised Members that he had met with officers the previous day who had taken him through an update on the Capita IT service transition. There is a report going to Cabinet on 16<sup>th</sup> April and the Chair suggested that it would be helpful for Resources O&S Committee members to receive a presentation on this. As the April committee meeting falls in between the report being published and the date of the Cabinet meeting, the Chair suggested this be added on as a briefing at the close of the April committee meeting.

**RESOLVED:-**

- Briefing on the Capita IT service transition to be arranged;
- The Work Programme was noted.

**7. REQUEST(S) FOR CALL IN/COUNCILLOR CALL FOR ACTION/PETITIONS RECEIVED (IF ANY)**

None.

**8. OTHER URGENT BUSINESS**

None.

**9. DATE OF NEXT MEETING**

The next meeting on Thursday 11 April 2019 at 1400 hours was noted.

*(Subsequently re-scheduled to Monday 8 April 2019 at 1400 hours)*

**10. AUTHORITY TO CHAIRMAN AND OFFICERS**

Agreed.

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The meeting ended at 1507 hours.