

**BIRMINGHAM CITY COUNCIL**

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

**1400 hours on Thursday 14 November 2019, Committee Room 6**

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**Present:**

Councillor Sir Albert Bore (Chair)

Councillors: David Barrie, Yvonne Mosquito, Meirion Jenkins, Paul Tilsley and Lisa Trickett

**Also Present:**

Councillor Tristan Chatfield, Cabinet Member for Finance and Resources

Liz Blackburn, Finance Manager

Neil Carney, Programme Director, Commonwealth Games

Michael Furness, Head of City Finance – Corporate Finance (Revenue)

Becky Hellard, Interim Chief Finance Officer

Guy Olivant, Major Developments Lead, Finance and Governance Directorate

Jayne Bowles, Scrutiny Officer

Emma Williamson, Head of Scrutiny

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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**

Councillor Lisa Trickett declared a non-pecuniary interest as Chair of the Active Wellbeing Society.

**4. ACTION NOTES – 17 OCTOBER 2019**

(See document 1)

Indoor Market Service Charge – the Chair referred to a memo which had been received from Jonathan Owen on behalf of the indoor market traders which opens

up other matters not within the remit of this committee. It was agreed that the memo would be sent to all committee members to give them the opportunity to make any amendments to the draft letter to the Leader. It was further agreed that Jonathan Owen would be advised of this process and that when the letter is sent, his memo will be appended.

**RESOLVED:-**

- That the memo from Jonathan Owen be circulated to all members of the committee and the draft letter, with any amendments, be sent to the Leader with the memo appended;
- The action notes of the 17 October 2019 meeting were agreed.

**5. UPDATE ON FUNDING FOR THE COMMONWEALTH GAMES**

(see document 2)

Neil Carney, Programme Director, Commonwealth Games, and Guy Olivant, Major Developments Lead, attended for this item.

Guy Olivant highlighted one key update since the paper had been drafted, which was that the West Midlands Combined Authority had now confirmed its £25m contribution at its full Board Meeting the previous week, bringing the combined total contributions up to £54m.

It was pointed out that expenditure will not take place until 2021 or so and, in the meantime, work would continue on the residual funding.

The following points were raised in the discussion:

- With regard to the total costs to be met by the council, when the committee had first considered this matter Members were told that there were a number of measures being looked at to offset, if possible, the risk to the council in terms of capital borrowing and revenue budget contributions. This paper, however, only covers partner contributions with no commentary around these other measures;
- Some work has been done looking at alternative sources of funding, eg hotel tax, workplace parking levy and airport levy, and concluded that where there was a requirement for primary legislation there would be a timing problem to make any material impact in time for funding the games;
- Reference was made to a City Council Motion about not prejudicing the interests of council tax payers through the funding of the games, that mitigating capital and revenue budget contributions remains an objective for the council and a matter this committee will want to return to;
- The report presented to committee in February referred to capital costs of £72.354m against the Alexander Stadium and £72.730 against Other (including Aquatics Centre) and it was queried how much of this related to the Aquatics Centre;
- It was confirmed that within the figure of £72.730m, the Aquatics Centre is £32.895m;
- Further reference was made to a report going to Sandwell Cabinet on 20<sup>th</sup> November detailing an increase in the overall costs for the Aquatics Centre and stating that the games budget will share 50/50 with Sandwell a

contingency figure of £13.158m, which would mean Birmingham contributing a further £6.6m, in addition to what has been reported in the past;

- Members were told that this increased contribution would be offset by a reduction in our contribution for the capital contingency, so Birmingham's total contribution will remain the same;
- The Black Country LEP (BCLEP) has provided £5m of direct funding to Sandwell relating to the Aquatics Centre and it was confirmed that the council does want to pursue a direct funding contribution from BCLEP to Birmingham's costs;
- With regard to the outstanding partner contributions, the objective is to build business cases to realise that funding;
- In response to a question about whether any risks have been identified that the athletes village and stadium costs might overrun, Members were told that the stadium forms part of the core programme and as it stands at the moment remains on budget within the £72.354m identified;
- There are some emerging risks in relation to the village, largely due to the nature of construction projects, however commercial negotiations are on-going with tier 1 contractors to get contracts in place and there are quantified risks assessments for all projects, which will be monitored;
- The funding route for the village is based on sales after the Commonwealth Games and predicting future house prices is difficult;
- Concern was expressed that this is a worrying financial model – predicting on developments is a high risk strategy and those risks should be better articulated in the report;
- In response to a question about the impact of increased costs of prudential borrowing, Members were told that the whole capital programme has been checked and the assumption made on the overall cost of borrowing is sufficient at the moment to contain the rate increase, however any future projects coming forward would have to be evaluated differently;
- Our overall borrowing figure is £3.867b and at year end net debt was £3.532b;
- A further report was requested for the next meeting, dealing with the risks and contingency issues around both the revenue budget and capital projects and also the athletes village, providing all relevant facts and figures;
- It was pointed out that the remit of this committee is to examine cost implications which might lead to budget issues and any other matters should be looked at by the Commonwealth Games, Culture and Physical Activity and Sustainability and Transport O&S Committees.

**RESOLVED:-**

- That a further report detailing the contingency provisions and risk issues around both the revenue budget and capital projects, including the athletes village, be brought back to this committee in December.
- The report was noted.

## 6. FINANCIAL MONITORING 2019/20 – QUARTER 2 (MONTH 6)

(See documents 3, 4 and 5)

Councillor Tristan Chatfield, Cabinet Member for Finance and Resources, Becky Hellard, Interim Chief Finance Officer, Michael Furness, Head of City Finance – Corporate Finance (Revenue), and Liz Blackburn, Finance Manager, attended for this item.

The Chair referred to the summary note of the main issues in the revenue budget monitoring report and stated that this did not preclude other matters being raised.

Also for this month, following a specific request, there is a cover note on the Capital Programme.

The following points were raised in the discussion:

- The movement from Month 3 to Month 6 has been about a reduction in overspend pressures with an underspend now being reported, which is a welcome trend;
- However, concern was expressed that this good news did not apply to every directorate and that the release of policy contingency had assisted in both Home to School Transport and Community Sport;
- It was noted that there is a continuing problem with Home to School Transport and that comparing Quarter 1 to Quarter 2 gives a different view than comparing Month 5 to Month 6;
- In response to a question relating to the Birmingham Children's Trust and whether there has been an update following their Month 4 report, Members were told that the Trust still sits at the forecast overspend already reported and work on mitigations is continuing;
- In the Finance and Governance Directorate, issues were raised around civic cleaning and schools catering not being competitive and a shortfall in procurement income;
- With regard to civic cleaning, Members were told that work is being done around managing costs which should yield a reduction in overspend;
- Reference was made to the issue of civic cleaning charges not being competitive and that this had come up as an issue in the committee's consideration of the Indoor Market Service Charge at its October meeting;
- Members were told that prices charged by Civic Cleaning have not changed since 2009 and it was questioned whether that being the case the market has reduced;
- The Interim Chief Finance Officer said that she would come back with figures but that her understanding is that their charge-out rates are less than the market rate;
- Sometimes, words are interchanged, eg non-delivery of savings is sometimes a shortfall in income, and the reduction in procurement income is a re-charging issue;

- In Neighbourhoods, there has been a rise in overspend from Month 5 to Month 6, with a worrying trend in Street Scene, and an overspend in Community Sport resolved by monies released from elsewhere;
- Where budget pressures had been dealt with in the current year – ie Home to School Transport and Community Sport – it was pointed out that this was not referenced in the consultation document and it was queried whether re-basing will relieve problems in the coming year;
- The policy contingency put into Community Sport was to address an historical double-counting and Finance officers are working with directorates to identify these historical issues;
- The re-basing of budgets will take place as an update on the Medium Term Financial Strategy in the spring;
- The Medium Term Financial Strategy has been updated based on the 4<sup>th</sup> September government announcement on funding and in the first two months of the next calendar year planning assumptions will be reviewed whilst working to get the ledger as correct as it can possibly be;
- Some service issues were raised, however it was pointed out that service implications would need to be addressed by relevant O&S committees;
- It was questioned why SEN budget pressures referred to in previous months had not been highlighted as an issue in the Month 6 report;
- Members were told that the service would be best placed to answer, but officers have been asked to do some work to close the gaps and a note on this was requested by the Chair;
- In terms of savings non-delivery, the Cabinet Member stressed that the key challenge is savings have to be met, they have to be robust and if they cannot be met then mitigations must be found within the directorate and should not call upon the general fund bottom line – we are not there yet, but every effort is being made to get to that stage;
- The big step forward this year was the non-use of reserves;
- Turning to the Capital Programme cover note, Members were told that the biggest issue is the amount of slippage on the capital programme and there is a need to understand how much is positively re-programmed into future years;
- With regard to the Capital Board process, capital decisions are ultimately executive decisions and the Capital Board function is to verify information and make sure issues are flagged with Board members;
- Capital prioritisation is part of the budget process;
- The Capital Board deals with spend of over £10m and monitors risks, including things like health and safety, urgency, etc;
- It was suggested that the capital monitoring report should include some commentary on emerging issues so these could be flagged to the Board, which could then deal with some of the demands;

- The Interim Chief Finance Officer agreed that the capital budget report should have a front report similar to the Revenue one but that this should be on a quarterly basis rather than monthly and the Cabinet Member undertook to make sure that happened;
- In response to a question around ERDF business growth and property investment in Appendix 3, the Chair explained that this is a capital programme providing support to businesses, mainly grants (therefore capital) and has to be spent on capital items to bring about growth.

**RESOLVED:-**

- The report was noted.

**7. WORK PROGRAMME**

(See document 6)

The work programme was discussed and the following items agreed for the December meeting:

- Month 7 Financial Monitoring Report;
- Further paper on contingency provision and risk issues within the CWG programmes.

Councillor Meirion Jenkins advised committee that the ICT Changes Working Group had held a very productive meeting with relevant officers on 5<sup>th</sup> November and that he would report back to Committee, hopefully in January.

**RESOLVED:-**

- The work programme was noted.

**8. DATE OF NEXT MEETING**

The Chair confirmed that the date of the next meeting had been changed and the new date of Thursday 19<sup>th</sup> December at 1400 hours in Committee Room 6 was noted.

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

None.

**10. OTHER URGENT BUSINESS**

None.

## 11. AUTHORITY TO CHAIRMAN AND OFFICERS

### **RESOLVED:**

That in an urgent situation between meetings, the Chairman jointly with the relevant Chief Officer has authority to act on behalf of the Committee.

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The meeting ended at 1542 hours.