

Birmingham City Council

Finance and Resources Overview and Scrutiny Committee

24 January 2024



Subject: Budget Scrutiny Task and Finish Group Report
Report of: Cllr. Sir Albert Bore
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Does the report contain confidential or exempt information? Yes No

If relevant, provide exempt information paragraph number or reason if confidential:

Recommended that members of the press and public be excluded from the meeting for this report under Section 100A(4) of the Local Government Act 1972 on the grounds that:

- (i) it involves the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of Part 1 of Schedule 12A of the Act; and
- (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

1 Purpose

- 1.1 This report sets out the work undertaken by the Budget Scrutiny Task and Finish Group and the recommendations agreed for consideration by the Finance and Resources OSC.
- 1.2 The work undertaken and presented in this report was carried out in good faith and in no way should be considered as an endorsement of the budget or any specific options by members of the T&F Group, individually or collectively.

2 Late Report

- 2.1 To be completed for all late reports, i.e. which cannot be despatched with the agenda papers i.e. 5 clear working days' notice before meeting.

Reasons for Urgency / why late	<p>The report has been produced following a series of Task and Finish Group meetings that ended on the 10 January. It was agreed that the report would be marked to follow when the agenda is published to allow time for the appropriate approval processes.</p> <p>The recommendations agreed by the Finance and Resources OSC will be included in the Budget Report to Cabinet on 13 February and it is therefore not an option to include the report at the February meeting of the Finance and Resources OSC.</p>
Date Finance and Resources OSC Chair's Agreement	18 January 2024

3 Recommendations

- 3.1 That the Committee considers the following recommendations to be reported to Cabinet and for the response to be reported to City Council when agreeing the 2024/25 and 2025/26 Budget.

General Matters

- 3.2 All savings must have clear Delivery Plans, with arrangements to hold budget holders across the organisation at different levels accountable to the delivery of savings and with a Cabinet Member assigned against each saving. Key milestones towards the delivery of the savings should be included, along with risk mitigation, and governance measures including consultation requirements, VR / CR requirements and service impact. Measures for monitoring and reporting to O&S Committees must be put in place.
- 3.3 The delivery Plans should also set out clearly where the saving type is identified as efficiency, what systems / processes will be put in place to deliver the efficiencies without reducing the level of services.
- 3.4 The Budget report to Cabinet and City Council will identify the savings proposals that will be subject to statutory consultation and assurance is

needed that these will comply with legal requirements. This needs to be reflected in the timescales for delivery of the savings.

- 3.5 Assurance and legal advice are needed that the budget consultation, including consultation with residents of Birmingham and others, regarding the Council Tax rate will comply with legal requirements and will be both digital and non-digital.
- 3.6 There should be clear communication on redundancy processes including training for managers to ensure a fair and consistent approach to implementing redundancies.
- 3.7 There should be clear policy on long term vacant posts – how these are declared and process to decide to retain vacant post / recruit / take as saving.
- 3.8 A review of the Council Corporate Risk register is undertaken following agreement of budget and MTFP at the February meeting of the City Council, with a senior officer and Cabinet Member assigned to each risk to ensure ownership of these risks.
- 3.9 An impact assessment of the savings proposals on the community and voluntary sector is undertaken to assess the cumulative impact for communities in Birmingham.
- 3.10 Each OSC receives a report following the approval of the Budget and MTFP on the implications of the budget and savings on the services within their terms of reference. In future years, an impact assessment of proposals should be reported to scrutiny in advance of the approval of the budget.
- 3.11 Each OSC to receive a report every two months during the 2024/2025 financial year to update the Committee on the delivery of savings and service implications.
- 3.12 An Equality Impact Assessment is undertaken on the combined impact of savings on vulnerable groups and those with protected characteristics, and in future years shared with elected members prior to the Budget meeting of the Council.
- 3.13 In the budget presented to Council, there should be details of the use of short-term grant funding (e.g., Public Health, CAZ and UKSPF) to reduce the budget gap to inform Elected Members of whether a 'cliff edge' scenario is an issue in 2 or 3 years.
- 3.14 A review of contracts and contract management is undertaken to ensure that the council achieves best value from contracts and that contracts are renegotiated where necessary, particularly where several contracts are held across different services / directorates with the same provider. This work needs to ensure a complete, transparent and accurate contract register is produced, including details relating to when re-procurements

need to commence and with contract start and end dates. As required by the Local Government Transparency Code, the relevant information should be published.

- 3.15 A multitude of income generation opportunities should be explored, e.g., dropped kerbs (see 3.40), lane rental (see 3.41), commercial events, Shelforce, debt collection, hotel tax (see 3.50), increase use of direct debits – if residents are already using Direct Debits for some services they are more likely to take up for other services (see 3.53).

Place, Prosperity & Sustainability

During the preparation of this report, it was announced that the Strategic Director of Place, Prosperity & Sustainability would be leaving BCC at the end of March 2024. This amplifies the concerns that members expressed about the delivery of a number of the savings in the directorate.

- 3.16 Savings Proposal 106: Service Re-design and Restructure (2024/25 £4.365m and 2025/26 £5.325m). As Members were concerned about the level of risk given the scale of the savings to be delivered, the delivery plan for this saving should not only set out a timetable for the restructure of the directorate but also the impact on services of this restructure. Also, assurances are needed that there will be capability and capacity following the restructure to deliver asset sales in the timescales required.
- 3.17 Savings Proposal 107: Reduction in Central Administrative Buildings (CAB) Premises. The Savings Risk identified is high. Consideration should be given to maximising the use of the Council House and the Council House Extension as a location for staff. The implementation of these savings should consider Savings Proposal 193: Transformation of NAIS and Community Libraries which, if implemented, will reduce the number of community libraries.
- 3.18 Where services vacate a building prior to sale, the financial implications of ensuring safety and security of the building must be considered.
- 3.19 Where a leased building is sold, the loss of income because of the asset sale must be reflected in the budget.
- 3.20 Elected Members should be informed of / consulted on sale of assets within their ward prior to public announcement.
- 3.21 Savings Proposal 109: Income Generation. Again, the Savings Risk is high. Additional income could be generated by charging developers for advice before the pre-application process.
- 3.22 Savings Proposal 214: Corporate Landlord Operational Property Savings. Consideration should be given to bringing forward some of these savings into 2024/25.

Adult Social Care

Although assurances have been provided that Adult Care Services are compliant with the Care Act, several concerns remain.

- 3.23 Savings Proposal 126: Review of Care Centre Model. There should be clear criteria to determine which Care Centres will be closed including the weighting given to service user needs and property value / condition.
- 3.24 Savings Proposal 130: Review of the Day Centre Model. It should be clear whether these decisions will be based on value / condition of property or service user needs and how the criteria will be balanced.
- 3.25 Savings Proposal 193: Transformation of NAIS and Community Libraries. As there is a concern that the closure of library buildings will limit the future opportunity to relocate services to library buildings, the Delivery Risk identified for this saving is low and does not reflect the challenges of judicial review and / or trade union action that may emerge.

Children & Families

- 3.26 Savings Proposals 89 and 90: Services for Young People and Commissioning of Early Help Contracts. There is a risk of judicial review and / or trade union action which could delay delivery. There needs to be an assessment of the costs to the Council of any such delay.
- 3.27 Assurance is required that savings proposals on Services for Young People and Commissioning of Early Help Contracts have taken full account of the Council's statutory duty under Section 68b of the Education & Skills Act 2008; Section 507b of the Education Act 1996; duties under the Crime and Disorder Reduction Act, Serious Youth Violence Duty; Equality Act 2010; Human Rights Act 1998, and Children's Act 2000, and in full cognisance of its safeguarding responsibilities and duty to safeguard and promote the welfare of children and young people.
- 3.28 Assurance is required that the loss in income from Youth Centres and including that generated by the youth service and through external funding has been considered.
- 3.29 A full stakeholder assessment is required given the significant implications to statutory partners including police, youth justice and NHS (especially mental health services), education sector and the voluntary sector.
- 3.30 Further to the above, assurances are needed that these savings proposals align with broader policy goals, and strategies and priorities for children and young people, both locally and nationally, regarding youth services and knife crime prevention.

- 3.31 Assurances are required that other funding options have been explored for youth services particularly from Public Health.
- 3.32 Also, assurances are required that the impact of cutting these services on the demand for other statutory provision has been assessed within the Directorate and BCT – given Savings Proposals 185: Reduction of BCT contract and Savings Proposal 219: Children’s Services efficiencies.
- 3.33 Full and proper consultation must be undertaken given that Savings Proposals 89 and 90 will likely disproportionately impact young people from global majority communities, those from low-income families and those who are already excluded – i.e., disabled and marginalised children and young people.
- 3.34 Equality Impact Assessments must be undertaken given that the savings proposals will be likely to disproportionately impact children and families who are already disadvantaged.
- 3.35 Savings Proposal 93: Children’s Travel Contracts. An assurance is required that the re-procurement of these contracts will be completed in time to deliver savings from April 2024 and that there is provider capacity to deliver the service, and whether the anticipated contract price takes into account past increases in fuel costs and inflation. Furthermore, the Delivery Risk of 4 is low.
- 3.36 In Proposals 146, 147, 148,149 and 150 relating to the Children & Young People Travel Service, there is a risk of judicial review or trade union action which could delay delivery of savings. There must be full and proper consultation with parents and service users before implementation of change and an assessment of the costs to the Council of any such delay.
- 3.37 Regarding Savings Proposal 150: Review of Non-Statutory Transport Packages, consideration must be given to the disruption that will be experienced by some 16–18-year-old young people for 2 years, some of whom may have SEND needs.

City Operations – Highways

- 3.38 Savings Proposal 14: School Crossing Patrols (Non-Statutory service) is delivered through CAZ Funding for 3 years. Assurance is required that this service will meet the requirements of the CAZ funding and that a memorandum of understanding / grant agreement confirm the outcomes required, monitoring arrangements and exit strategy.
- 3.39 Savings Proposal 15: Local Engineering (Non-Statutory Service) amends the delivery model. The new delivery model must retain the function currently provided by the Local Engineer role to liaise with Elected Members to respond to ward issues.

- 3.40 Savings Proposal 16: Dropped kerbs. Contrary to the view from Highways, the Task & Finish Group was of the view that additional income could be generated through enforcement of illegal dropped kerbs and damage to pavements because of house renovations / building work. Also, enforcement on these issues would reduce the risk of insurance claims against the Council. Further consideration of these matters would be welcomed.
- 3.41 Consideration should be given to income generation from Lane Rental as part of the Streetworks Permitting Scheme following the one-year review.
- 3.42 Savings Proposal 19: Reduction in PFI Management Budget. Further consideration may need to be given to this proposal following the outcome of the Council's Judicial Review challenge.

City Operations – Community Safety

- 3.43 Savings Proposal 49: Amend Community Safety Team. Concerns from partners should be included in the Council's Risk Register.

City Operations – Neighbourhoods

- 3.44 Savings Proposal 52: Increase Leisure Fees by 5%. Consideration should be given to the cumulative impact of increased costs for residents, added to with the Cross Cutting Savings Proposal 228: Fees and Charges – further Savings which propose a minimum increase in fees of 10%. An increase in charges above 5% may prevent people from using the service, which may have implications for health and wellbeing, or choosing to use services beyond Birmingham.
- 3.45 Savings Proposal 56: Reduction of grant to The Active Wellbeing Society (TAWS). Consideration should be given to the capacity of TAWS to deliver on a reduced grant and their ability to take on facilities that BCC can no longer afford to operate.
- 3.46 Savings Proposal 61: Cultural Organisation Grant Reductions. The implications of grant cuts to BMusic and the long-term viability of Symphony Hall and Town Hall should be considered by the Group Company Governance committee.
- 3.47 Savings Proposal 62: Cease Funding for Cultural Projects. Consideration should be given to seeking sponsorship from the private sector.
- 3.48 Savings Proposals 64, 67, 69 and 168. Following the extensive reductions in services focussed on neighbourhood / ward support, remaining neighbourhood / ward funding within directorates should be identified to Elected Members to ensure that the funding available is addressing ward priorities.

- 3.49 Savings Proposal 70: Changes to Business Improvement District Service (BIDs). There should be ongoing engagement with partners to understand the implications of savings proposals for BIDs both in the City Centre and smaller BIDs beyond the City Centre, to ensure their viability going forward and that the city retains the added value benefits that BIDs provide. Consideration should also be given to the implications for the development of new BIDs.
- 3.50 The Council should again explore the implementation of a hotel tax for the City Centre in partnership with the BIDs.
- 3.51 Savings Proposal 163: Increase Public Health Funding of Wellbeing Leisure Centres. Members should be kept informed of changes in services in their wards.
- 3.52 Savings Proposal 169: Cease Sport Development Function. Consideration should be given to longer-term opportunities to introduce community facilities and upgrades.

City Operations – Street Scene

- 3.53 Savings Proposal 26: Additional Garden Waste Income and Fee Increase. Residents who currently use Direct Debits to pay council tax and who use the additional garden waste service should be offered the option to pay by Direct Debit.
- 3.54 Savings Proposal 29: Move to fortnightly residual waste (non-recyclable) collections and amend early starts. Consideration should be given to bringing forward some savings to 2024/25 and whether there are additional savings that can be identified as part of the Waste Transformation Programme during 2025/26.
- 3.55 As part of the re-design of waste services, greater use of the current vehicle fleet should be explored in the scheduling of collections – e.g., 2 rounds a day. The re-design should also consider service standards and compensation for missed garden waste collections. Currently compensation is paid if collections are missed on 3 consecutive weeks, but not 3 missed collections across the Spring – Winter period.
- 3.56 Savings Proposal 30: Cease Bank Holiday collection. Consideration should be given to the implications when fortnightly collections are introduced which could result possibly in a month between residual waste collections.
- 3.57 Savings Proposal 31: Introduce charging for car parking in parks. Consideration should be given to other measure that may be required, e.g., introducing double yellow lines in road near parks and the implications this would have on costs and timescales.

City Operations – Regulation & Enforcement

- 3.58 Savings Proposal 24: Pest control – new charge for domestic rat treatments. Consideration should be given to enabling households to share the cost of rat treatments.
- 3.59 Savings Proposal 48: Review income from registration of Marriages. Consideration should be given to income generation through merchandise sales within the Registrars Service.

Council Management – Digital

- 3.60 Savings Proposal 103: Voice Automation within Contact Centre Services. The introduction of digitalisation / voice automation should be a priority but not through forced channel shift, with opportunities identified in other directorates to increase savings.
- 3.61 Savings Proposal 175: 5G Small Cells and LoRoWAN. The income from this proposal should be benchmarked against other authorities and work taken forward with the West Midlands Combined Authority to maximise income from 5G. Assurance is needed that the income includes any costs of testing the structural integrity of the lamp posts.
- 3.62 Savings Proposal 215: Business Improvement & Support Consolidation. Consideration should be given to bringing some of these savings forward to 2024/25 and ensuring the workload for staff is deliverable.

City Housing

- 3.63 Recommendation 220: HRA Review and joined up locality working between Housing and City Operations. Consideration should be given to identifying further savings through efficiencies resulting from joined up working between Housing, Highways and Transport that would take out current duplication in service delivery. Members noted the risk rating of 10 which should be reduced as a result of effective working across the Corporate Leadership Team.
- 3.64 Recommendation 226: HRA Investments and Valuations Team – Municipal Shops. The suggested review was not considered as far-reaching as it could be, as numerous municipal shop precincts have a mixture of tenures and should be considered as opportunities for asset sale and redevelopment.

Council Management – Legal and Governance

- 3.65 Savings Proposal 145: Legal Services – Scrutiny, Regulatory, Executive and Council arrangements. The number of O & S Committees will be reduced from 8 to 7 with an ensuing SRA saving. Regulatory, Executive and Council arrangements and saving proposals will need to be formulated in the Cabinet response to these recommendations.

Cross Cutting

- 3.66 The Task and Finish Group was disappointed that work had not started earlier in the year when the budget gap was identified to develop proposals that would deliver greater cross cutting savings. A target should be set of £2m cross cutting savings to be delivered across 2024/25 and £5m (aggregate) across 2025/26 – figures arrived at following consultation appropriate officers.
- 3.67 The Organisational Redesign work to reshape the Council's services around citizens within available resources should include the development of a workforce that is flexible and roles that can respond to current pressures. Members were concerned that the savings proposals across the Council that will reduce the workforce before this re-design work is undertaken may result in key skills being lost from the organisation.
- 3.68 The Organisational Redesign should review the duplication of services / teams across and within directorates and rationalise these based business need where this will result in savings.

Public Health

- 3.69 Assurance is needed that an analysis of the savings funded through the Public Health Ring Fenced Grant are a public health priority for the City and meet the priorities of the Joint Strategic Needs Assessment and / or the Health and Wellbeing Strategy.
- 3.70 The Memorandums of Understanding that are agreed for the use of the Ring-Fenced Public Health Grant for savings set out clear outcomes and robust arrangements must be in place to monitor and report these to ensure that evidence of outcomes is reported to OHID, to ensure the risk of funding having to be re-paid is reduced.
- 3.71 The risk of being required to repay the Ring-Fenced Public Health Grant used for savings must be included in the Council's Risk Register and a senior officer and Cabinet Member assigned to each risk.

4 Background

- 4.1 The Budget Scrutiny Task and Finish Group was established in November 2023 to consider the following questions:

- How will the Council close the in-year budget gap during 2023/24?
- How can Scrutiny contribute to the development of the Budget proposals for 2024/25 and financial plans for the following years?
- What comments / recommendations does the Task and Finish Group want to report to Cabinet when the 2024/25 budget proposals are considered?

4.2 The members of the Task and Finish Group were: Cllr. Albert Bore, Cllr. Jack Deakin, Cllr. Kerry Jenkins, Cllr. Mick Brown, Cllr. Katherine Iroh, Cllr. Lee Marsham, Cllr. Shabrana Hussain, Cllr. Mohammed Idrees, Cllr. Robert Alden, Cllr. Alex Yip, Cllr. Paul Tilsley,

4.3 The terms of reference for the Task and Finish Group are available from [Document.ashx \(cmis.uk.com\)](#). The Task and Finish Group met 7 times during November – January and at the end of this process members agreed the recommendations set out in Section 3 of this report. The work of the Task and Finish Group provided a forum for robust challenge and benefited from the organisational knowledge members had of previous strategies, policies and programmes when many senior officers are relatively new to the organisation.

4.4 Following the initial Task and Finish Group meeting on 20 November 2023 it was agreed that the focus on the work for the Task and Finish Group would be on the savings proposals that were being developed as part of the 2024/25 and 2025/26 budget. The rationale for this focus was that the emergency budget that had been planned was not being taken forward given the scale of savings required across 2024/25 and 2025/26 that had increased to £300m, and that the failure to meet savings targets in 2022/23 and 2023/24 has been a significant factor in the present budget gap and reserves position. Importantly, it was also noted by the Task and Finish Group that the £300m savings required was in addition to the potential Equal Pay liability estimated to be between £650-760m and both this potential liability and the cost of redundancies resulting from savings would need to be covered by sale of assets and prudential borrowing would require a capitalisation agreement with the Government.

4.5 The context within which the 2024/25 and 2025/26 budgets proposals were being prepared were set out in the Section 151 Officer Update on the Financial Position of the Council to Cabinet on 12 December (available from [Document.ashx \(cmis.uk.com\)](#)). This set out that:

As outlined within the Section 114 subsection 3 notice issued under the Local Government Finance Act 1988 on 5th September 2023, the Council is facing a challenging financial situation. The Council has insufficient resources to meet the expenditure required in relation to the costs of providing for Equal Pay claims.

As a result of our current situation, the Section 151 Officer is unable to write a supporting going concern statement for prior year draft accounts for 2020/21 and 2021/22. She is also unable to make a Section 25 statement under the Local Government Act 2003 in relation to the robustness of estimates and adequacy of reserves.

As reports on 25th July 2023, Cabinet was advised of a forecast General Fund overspend against budget of £87.4m. Due to confirmed non-delivery of savings in the current year, 2023/24, there is a total of £39.9m being effectively written off. In addition, due to a lack of expediency in delivery of new savings to address this in-year budget gap, the Council is left with little option but to address the overspend through the use of one-offs. This further deteriorates the medium term financial stability of Council finances, by depleting reserves.

At the time of writing this report, the current two year savings target for the Council is circa £300m following a re-basing exercise of the 2023/24 budget.

Given the position on non-delivery of savings in-year, the only option left to the Council is to address the in-year financial position through the one-off use of reserves. This, by its very nature, has a direct impact on resolving the 2024/25 budget and undermines one of the fundamental core elements of the Section 25 statement on adequacy of reserves.

With a savings programme which has historically underdelivered, this means that the Council is building a new savings programme from a standing start. Every effort must be made to commence delivery of savings as soon as possible.

The Council is currently in a position where it is unable to set a lawfully balanced budget, and as such further consultation is now required with the Department of Levelling Up, Housing and Communities (DLUHC) to explore additional Exceptional Financial Support (EFS) to enable the setting of a balanced budget for 2024/25.

The precise value of a 'minded to' capitalisation from DLUHC is to be confirmed later in the budget setting process following assurance of the savings programme. This would need to be large enough to cover provisions for Equal Pay, capitalisation costs involved in a redundancy scheme, and the forecast budget deficit 2024/25. The precise amount that will actually be capitalised will only be determined at yearend such that if the Council overdelivers then the capitalisation value will reduce.

- 4.6 The Section 151 Officer attended all the Task and Finish Group meetings and updated members as the budget proposals progressed. Members were informed that the Financial Planning Team had re-based the 2023/34 budget that included key assumptions on inflation, pressures / growth, savings and use of reserves. That Task and Finish Group was also informed of the due diligence process carried out on all the saving proposals.
- 4.7 Senior Officers attended the Task and Finish Group meetings to present the savings proposals for their Directorates, updating members as these developed and responding to written questions.
- 4.8 The Task and Finish Group was updated on the Capital Programme that had been reviewed to reduce borrowing and therefore reduce the Council's debt by £100m, the HR process in relation to Voluntary and Compulsory Redundancies and the public consultation process on the budget and council tax rate.

5 Any Finance Implications

- 5.1 The recommendations from the Budget Scrutiny Task Group Report present several financial implications for Birmingham City Council. It is imperative to establish robust processes for monitoring, reviewing, and governing these savings proposals to ensure their effective implementation and alignment with the Council's financial objectives.
- 5.2 The Council will implement a monitoring system to regularly track the progress of each savings proposal. This system will include quantitative measures and qualitative assessments such as service delivery impacts. Regular reports will be provided to the relevant oversight committees, ensuring transparency and accountability in the savings process. A clear governance structure will be established to oversee the implementation of the savings proposals and is currently in development. This structure will involve various levels of the Council, including Directorate boards, Transformation and Improvement Board (incorporating CLT), Cabinet member briefings, EMT, Overview and Scrutiny, and Commissioners at the Improvement and Recovery Board. Regular updates on the progress and impacts of the savings proposals will be communicated and feedback mechanisms will be established to gather input and address concerns from each of these parties, ensuring a transparent process. Each saving proposal will be assigned a Responsible Delivery Lead and Senior Accountable Officer to ensure ownership and accountability. In cases where savings proposals are not on track or are having unintended negative impacts, the Council will implement mitigation strategies. These may include reallocating resources, adjusting timelines, or revising the scope of the proposals. The Council will maintain flexibility to respond to

challenges and ensure financial stability and service quality are not compromised.

- 5.3 The financial implications of the Budget Scrutiny Task Group Report extend beyond the immediate budgetary effects which are considered within the budget setting process and as part of specific savings proposals. They encompass a commitment to rigorous monitoring, periodic review, strong governance, proactive mitigation measures, and effective communication. These processes will ensure that the savings proposals are effectively managed and aligned with the broader financial strategy of Birmingham City Council, thereby supporting the Council's commitment to fiscal responsibility and sustainable service delivery.

6 Any Legal Implications

- 6.1 The Local Government Finance Act 1992 requires the Council to set a budget and Council Tax precept by 11th March each year.

7 Any Equalities Implications

- 7.1 The Task and Finish Group have identified issues where equality impact assessments should be undertaken to understand and mitigate the equalities implications of the budget savings proposals.

8 Appendices

- 8.1 None

9 Background Papers

- 9.1 Finance and Resources OSC November Document.ashx (cmis.uk.com):Budget Scrutiny Task and Finish Group Terms of Reference
- 9.2 Section 151 Officer Update on the Financial Position of the Council to Cabinet on 12 December (available from Document.ashx (cmis.uk.com))