

## BIRMINGHAM CITY COUNCIL

# RESOURCES O&S COMMITTEE – PUBLIC MEETING

1400 hours on Thursday 15 October 2020 (On-line Meeting)

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### **Present:**

Councillor Sir Albert Bore (Chair)

Councillors: Muhammed Afzal, David Barrie, Meirion Jenkins and Paul Tilsley

### **Also Present:**

Councillor Tristan Chatfield, Cabinet Member, Finance and Resources

Simon Ansell, Finance Business Partner – Inclusive Growth Directorate

Rebecca Hellard, Interim Chief Finance Officer

Guy Olivant, Major Developments Lead

Sara Pitt, Assistant Director, Service Finance

Aniekan Umoren, Interim Assistant Director, Housing Development

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 Lisa Trickett.

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

None.

### **4. ACTION NOTES – 10 SEPTEMBER 2020**

(See document 1)

The following updates were given:

- Neighbourhoods Directorate CIPFA “deep dive” – Work is still ongoing and a date will be confirmed for the results to come to this committee; it is envisaged that this will be December;
- A letter has been sent to Cllr O’Shea, passing on the committee’s views with regard to the income shortfall in Street Scene;
- ERP system re-set phase – a report will be going to Cabinet in December and the Cabinet Member and officers will work with O&S around that timeframe.

**RESOLVED:-**

The action notes of 10 September 2020 were agreed.

**5. FINANCIAL MONITORING 2020/21 – MONTH 5**

(See document 2)

Councillor Tristan Chatfield, Cabinet Member for Finance and Resources, Rebecca Hellard, Interim Chief Finance Officer, and Sara Pitt, AD, Service Finance, attended for this item.

The Chair stated that members agreed the new style of report is much better.

Cllr Chatfield introduced the report and made the following points:

- There is a slight improvement to net overspend, currently £2.1m compared to £2.4m in Month 4;
- This figure is disregarding Covid, the impact of which is substantial but there has been significant funding from Government;
- The financial challenge for next year remains extremely significant, with a £19.5m gap at the time of this report and as we enter into the budget process there is a great deal of work to be done to close the gap;
- A lot of what is being reported for next year is still based on risk;
- It was noted that what this committee is doing in terms of bringing in directorates to address specific issues, eg InReach at today’s meeting, is good;
- Significant progress has been made in terms of addressing in-year issues and can be optimistic more progress will be made in closing the gaps this year, however next year poses challenges.

In the course of the discussion, and in response to Members’ questions, the following were among the main points raised:

- **Covid-related costs** – two figures get reported every week, one is financial commitments and the other is financial risks (where every risk is financially quantified and a probability factor applied). The risk register is updated weekly, together with any new funding;
- **Education & Skills Directorate** – it was noted that the overspend in the main relates to the Birmingham Children’s Trust (BCT), notwithstanding the additional money put in for 2020/21, and it was questioned whether any further money would be put in this year.  
Members were told that a strong relationship had been built between our own finance service and the BCT and they are working with them on the service metrics, with broader commissioning conversations going on. It is

believed that the forecast overspend will reduce and if they do require further funding, it is not expected that it would be of the same size;

- **IT&D overspend on agency staff** – Measures are being taken to address the high levels of dependency on agency staff within the service due to the current situation, setting up remote working, etc, and it was confirmed that where this was identifiable as being Covid-related, it will have been included in the Covid overspend;
- **Commercial Properties shortfall of £3.5m** – this is due to rental streams being down and is being monitored very closely through the business and economic recovery cell;
- **New Oracle system** – concern was expressed that these things can go wrong and that it was important to stay on top of it.

The Chair thanked the Cabinet Member and Interim Chief Finance Officer for attending and for the way in which the reports are now written, making it easier to see what is happening.

**RESOLVED:-**

- The report was noted.

## 6. INREACH

(See document 3)

Aniekan Umoren, Interim AD, Housing Development, Guy Olivant, Major Developments Lead, and Simon Ansell, Finance Business Partner, attended for this item.

The Interim AD, Housing Development introduced the report, which provided the background to the setting up of the company and a focus on the position with the Brasshouse development.

She also told Members that Guy Olivant was in attendance in his capacity as a Director of InReach and Simon Ansell was also present to answer any questions around the figures provided.

In the course of the discussion, and in response to Members' questions, the following were amongst the main points raised:

- The Chair informed the committee that one of the reasons for setting up the company in 2014 was because it was proving difficult to get Private Rented Sector (PRS) development in the city, with developers not being convinced that it would work, and the Embankment site was seen as a good opportunity to show the development sector that PRS was good. The added benefit was the revenue that could be provided;
- He went on to say that the report clearly sets out the reasons why InReach has pulled out of the Brasshouse development – reasons which members had not previously known – and it is now clear that the competition issue could have been difficult to manage;
- In response to a question about the timeframe for bringing Brasshouse back to the market, Members were told that it is understood that Birmingham Property Service, as part of an ongoing review of the council's surplus land

holdings, will be looking to bring it to the market at the right time in order to get the best value;

- In terms of commercial risk, there is no parent company guarantee in place, therefore no liabilities falling on the council;
- The basis of the funding of InReach is substantially a loan from the council at a commercial interest rate, as required by legislation, and that loan is secured on the value of the Embankment development, which gives the council strong protection of that lending. As at the last financial year end, the value of Embankment was in excess of £20m, which compares to an underlying loan of around £12.9m;
- There is a management agent for Embankment, for which there is a cost to InReach, and this is funded from rental income. Members were told that despite Covid, there have been no problems with non-payment of rents;
- In terms of the decision-making in relation to Brasshouse, the view was that there was a need to look at the company's own capacity and ability to deal with the risks of a substantial development, which would have quadrupled the size of InReach. There is ambition to continue to contribute to meeting the need for more good quality housing in Birmingham but this has to be done in such a way that it doesn't break the company by trying to do too much too fast;
- The Chair thanked officers for the report, which had been well presented and made it easy to understand why decisions had been taken and the current situation.

## **7. PLANNED PROCUREMENT ACTIVITY REPORT**

(See document 4)

The Chair confirmed that the new process had now been adopted, with the report being sent out to members in advance so they can flag any procurement items which need to be referred to the Cabinet Member ahead of the Cabinet meeting. It was noted that there had been no indication from members of any issues with this month's report.

The Cabinet Member advised that the third item on the list had been withdrawn prior to Cabinet.

### **RESOLVED:-**

The report was noted.

## **8. WORK PROGRAMME**

(See document 5)

The work programme was discussed and it was agreed that the following items would be timetabled:

- Neighbourhoods Directorate – CIPFA “deep dive” (timing to be advised);
- Athletes Village Revised Full Business Case (due to go to Cabinet in December);

- ERP (due to go to Cabinet in December);
- CityServe (due to go to Cabinet in January).

It was noted that the 2021/22 budget consultation had not gone to the October Cabinet meeting and Members were told that this was due to work being done around the Medium Term Financial Plan (MTFP).

The updated MTFP will go to Cabinet in November, alongside the Quarter 2 financial monitoring report, and both of those items are programmed for the November meeting of this committee.

The budget consultation is around resourcing priorities and in the past has focussed on consulting on various savings proposals, however next year there will be a budget gap in excess of £100m so this time there will be a different approach which doesn't warrant line by line budget consultation.

With regard to engagement with O&S committees if service changes are proposed, the Cabinet Member said that it was too early to pre-judge what programmes would look like but could see no reason why they would not be willing to engage with O&S in that process.

**RESOLVED:-**

The report was noted.

**9. DATE OF NEXT MEETING**

Noted.

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

None.

**11. OTHER URGENT BUSINESS**

None

**12. 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 1513 hours.