

Birmingham City Council

Neighbourhoods Budget Sufficiency Exercise

FINAL Executive Summary Report – 11 December 2020

Contact details

In the first instance please direct all enquiries to:

Gareth Moss, Business Advisory and Consultancy – CIPFA

07718 004308 / Gareth.moss@cipfa.org



1. Executive Summary and Conclusions

- 1.1. Building on a review on which we reported in September 2020, Cipfa were asked to assist with the rightsizing of the Neighbourhood Directorates budget. We looked at four service groupings; Housing, Neighbourhoods; Regulatory and Enforcement and Streetscene. For each of the groupings we agreed the budget lines that belonged to each group taking an historical perspective from 2013/4. We noted that through the years there had been significant overspends in these services:

Fiscal Year	201314	201314	201415	201415	201516	201516	201617	201617	201718	201718	201819	201819	201920	201920
	Original Budget	Outturn	Original Budget	Outturn	Original Budget	Outturn	Original Budget	Outturn	Original Budget	Outturn	Original Budget	Outturn	Original Budget	Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Services	9,638	9,882	7,576	6,523	5,266	5,791	2,974	7,461	3,748	4,918	4,959	8,096	4,003	8,602
Neighbourhoods	50,275	53,128	42,082	45,022	34,070	27,744	23,482	25,423	19,910	25,019	16,732	16,619	15,310	20,667
Regulation and Enforcement	7,298	7,009	6,771	5,210	-804	2,072	1,018	1,270	2,543	1,702	2,514	2,543	315	3,529
Street Scene	57,674	57,587	52,212	52,840	56,395	70,261	66,465	79,276	70,696	85,622	69,605	86,227	66,835	78,281
TOTAL	124,885	127,606	108,641	109,595	94,927	105,868	93,939	113,430	96,897	117,261	93,810	113,485	86,463	111,079

- 1.2. In our review we tracked outturns against original budgets and developed a narrative as to why there had been variances; compared reported expenditure against all Metropolitan District Councils and reviewed performance to gain an understanding of VFM.
- 1.3. We noted that significant adjustments had been made to the Budget for 2020/21. This had raised the budget by £23,275 million offset by savings of £1,690 million.
- 1.4. It should be noted that overall, the management of the budgets for 2020/21 do appear better than previous years for which the Directorate should be commended.
- 1.5. Proposals were already submitted in the MTFP for 2021/22 to continue that enhancement over the 2019/20 budget by a total of £20,208 million offset by savings of £2,832 million.
- 1.6. In addition, at the start of our work, further 'Budget Sufficiency' items had been put forward by the Assistant Directors for the service areas concerned. Our review focused on the 'Budget Sufficiency' items being put forward following discussions with the Assistant Directors for the service areas concerned.

Housing

- 1.7. We established that, based on the RO returns, while the average of Metropolitan Districts has remained stable, with a slight reduction over the period, the Council since 2016/17 has seen a steep increase in net costs per head of population and in 2018/19 was four times as costly as the average. The dominant service cost proportion since 2016/17 is Bed/Breakfast accommodation which in 2014/5 represented only 11% of the Council's total cost but in 2018/19 represented 51.4% of the total cost. The Council's income for the accommodation used always significantly exceeded the average.

- 1.8. As a result of these costs the Council was, in 2018/19 in the bottom quartile for these services by comparison.
- 1.9. In the same period the service group has, in every year except 2014/15, failed to operate within its original budget, in some years by a significant margin. The major driver has been Temporary Accommodation. It was noted that the Council's responsibilities have broadened and the Council has responded to the pressures of increased demand on its services by placing those declared homeless in temporary accommodation. In the Private Rented Sector, mandatory licensing was expanded in October 2018. A selective licensing scheme was due to come into place in 2018, however this did not come to fruition.
- 1.10. In 2019/20 the service group did not stay within its original budget and there was an overspend of £4.6m, the majority due to the increasing demand on housing options services. For 2020/1, variances against the 2019/20 budget were made totaling £4.90 million with £0.953 million savings; for 2021/22 the MTFP includes repeat variations at £4.65 million with £0.953 savings. Of the additions, £3.8 million is to meet the costs of the expected increase in demand for temporary accommodation.
- 1.11. The service has proposed moving to a preventative strategy. At present the service is not meeting its targets for preventing and relieving homelessness. This would involve recruiting staff to do preventative work and making greater use of the Council's own housing stock for short term accommodation at a cost of £2.6 million of revenue with a charge of £0.3 million to the HRA). This can assist in improving the sufficiency of the budget since it replaces the use of B & B accommodation (which can be scarce and expensive at times) with accommodation for which a charge can be made; the 'surplus' from which can be recycled within the Council's budget. Over a longer term there is also an intention to set up Homelessness Hubs using framework agreements.
- 1.12. Even with this investment, the need for additional budgetary provision is needed as the change to preventative work will not reduce the requirement for temporary accommodation immediately. When our work started the estimated requirement was £7.8 million based on an extrapolation of pattern of demand since 2017. The current estimate is that the requirement is £7.4 million in 2021/22 and a further £8.7 million in 2022/23. After that if the preventative strategy is successful, the budget should start to show savings: a reduction of £0.5 million in 2023/24 and further reduction of £8.9 million in 2024/25. A business case has been produced to justify this and to point out that without the change to prevention the extra budget requirement for temporary accommodation would be (on the basis of the extrapolation) £148m over the next four years. It must be pointed out that this is based on the extrapolation referred to above and there can be no absolute certainty of the demand.
- 1.13. We do accept that demand is likely to grow - as at March 2019, Birmingham had approximately twice as many as the average of households on the housing waiting list, and where the Housing Market review of 2013 suggested that there was a requirement of at least 4,100 homes up to 2031,

the City only had sustainable capacity for just 2,200, and while the Birmingham Development Plan (BDP) target for 2011/12 to 2018/19 was 6,441 new affordable dwellings, actual affordable dwelling completions in the same period were only 3,775. Also, the latest predictions of population suggest a growth of 3.06% from 2020 to 2030.

Neighbourhoods

- 1.14. Between 2014/15 the average cost per head of population for this group of services has had a downward trend for all Metropolitan Councils. Over the same period the Councils expenditure has declined in this service group but are not able to be compared with the RO returns. The most significant area of reduction is in Neighbourhood Community services and Advice. Also support to the Arts.
- 1.15. Overall, the total service group budget has declined from £53.1 million in 2013/4 to £16.7 million in 2018/19. The service group has not always operated within its budget – in 2017/18 there was a significant overspend in Events, Sport and Wellbeing – and an underlying budget issue resulted in a £3.9m budget adjustment part way through 2019/20.
- 1.16. In 2020/21, £3.77 million was added to the budget, but (as at period 7), there are continuing shortfalls in income for Community Centres; Wellbeing and Internal Leisure Centres and Contracted Leisure services.
- 1.17. It is proposed in the MTFP to continue the additions to the 2019/20 budget by, in total, £4.068 million (including an addition for major events) with £0.311 million in savings and would provide for a sufficient budget. This addition would not address the shortfalls in income currently being experienced but as these are a consequence of the current pandemic restrictions, these are likely to be temporary in nature. The 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 & Enforcement

- 1.18. Since 2014/5 this service group has broadly followed the trend of cost per head of population of the Metropolitan District average but since 2016/17 has increased cost significantly reversing a previous downward trend. Reviewing the component costs of the service highlights the significant level of income received from Cemetery, Cremation and Mortuary Services.
- 1.19. During the period, this service group started as more expensive than the average and despite becoming less expensive than the average during the period, ended the period as more expensive. Expenditure and Income throughout the period was close to the average and the variations from the average per head were small. Employee costs as a proportion of the Councils total costs rose during the period from 54% to 62%. And while at the beginning of the period Sales, Fees and Charges were above the average, at the end they are below.

- 1.20. Over these years the service has reduced expenditure on sites which will have made employee costs a greater proportion of the costs and overall income has been affected by price increases that have led to weaker demand. The loss of income from the closure of the Wholesale Market is also a factor. As a result, the cost of this group of services is above average by comparison to all other Metropolitan Councils as at 2018/19.
- 1.21. In the same period the service group has not always been able to remain within its original budget. This was most noticeable in 2015/16 when the original budget contained an unattainable income target that was subsequently withdrawn. Since then budgets variations have stabilised.
- 1.22. In 2019/20 this service group overspent largely due to failure to achieve income targets in Bereavement Services and Markets. This has been exacerbated for 2020/21 by an increase in the Bereavement income targets that led to a price increase weakening demand and increasing the income shortfall. Both service areas have been uniquely impacted by the pandemic and the income targets are not being achieved.
- 1.23. A number of proposals for this service area have been included in the 2021/22 MTFP for additions to the 2019/20 budget) totaling £1.87 million (£1.835 for 2020/21) with a saving of £124k. This does include some sums to deal with the shortfall of Bereavement and Markets income, but based on the progress of the 2020/21 year there is a continuing and increasing shortfall in Markets. This service will also continue to have budget pressures from the operation of the Coroners Court, but these cannot be quantified at this time. There is clearly a need to deal with these 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.
- 1.24. Parts of this service are not meeting their service standards, though in the case of the Food Inspection Service one of the proposed budget additions is intended to address this.

Streetscene

- 1.25. The historical perspective, 2014/15 to 2018/19, for Streetscene shows the trend for the Council as increasing significantly whilst the average of all the Metropolitan District Councils reduce slightly. Whilst at the beginning of the period, Waste Disposal costs were the dominant cost area, Waste Collection costs now represent the highest single proportion of costs.
- 1.26. Three services have become significantly more expensive, Open Spaces (by 77% (£5.86) per head), Waste collection (by 47% (£8.84) per head) and Waste Disposal (by 16% (£3.66) per head). Compared to the average, employee expenses in Birmingham have always been higher than average from 10% higher in 2014/15 to 32% higher in 2018/19. In Waste Collection, the increase is even more noticeable, from 63% higher to 118%. Employee expenses in Open Spaces and in Recycling have more than doubled. This increase in costs is partially offset by a significant increase in income over

the period compared to the average. This is largely due to an increase of £10.33 in the Other Income obtained by Open Spaces.

- 1.27. As at 2018/19 by comparison this group of services was above average for cost and just better than the worst quartile.
- 1.28. Over the period from 2015/16 the service group has not been able to stay within its original budget. This is primarily due to Collection Services overspends, but from 2015/16 the Street Cleaning budget has been consistently overspent.
- 1.29. In 2019/20 the service group continued the trend of not containing expenditure within the original budget. The overspend was £11.446 million driven primarily by a large overspend in Collection Services (continuing a historical trend of significant overspends in Waste Management (2015/6 - £16.9m/2016/7 - £12.1m/2017/8 - £13.1m/2018/19 - £15.3m), Depots, Fleet and Support and also an overspend in Street Cleaning.
- 1.30. For 2020/1, variations totaling £11.565 million with savings of £410k were included in the budget and within the 2021/22 MTFP a similar list of proposals totaling £8.520 million with savings of £1.444 million is proposed.
- 1.31. Some further proposals have already been made for budget sufficiency increases for the services in this area totaling £7.437m for external legal advice for the Waste Procurement project; for the underachievement of Trade waste income and for reduced income from recycling. In Grounds Maintenance, the number of cuts per year bought has been reduced and the loss of Academies together with inability to increase rates means there is a £1 million budget pressure. The delay to the redesign and vehicle replacement programme means a budget pressure of £1.9 million to keep the existing Fleet on the road to meet operational needs. Finally, Street Cleansing is currently only operating a basic service and has no spare capacity to cover absenteeism or the requirements of an increase in Fly Tipping. The shortfall is estimated at £2 million.
- 1.32. We were supplied with some performance information on this Service Group as shown in Appendix 4 of the full report. This would suggest an improving picture.
- 1.33. For Waste Collection, the service has a number of service standards in operation and in terms of the regularity of collection is now achieving a high standard. However, the service has three other important targets: minimising waste; minimising landfill and maximising recycling. The service also has significant pressures for improvement as, at the end of 2018/19, according to LGA Inform, the Council was in the worst quartile for the amount of residual waste per household and the third worst council for recycling against all single tier authorities. A recent report (WRAP) benchmarked the cost per household – kerbside properties as the most inexpensive of the four West Midlands authorities compared with. However, this survey based its cost analysis on the original budget for 2019/20 whereas the final outturn was over 68% higher due partly to costs incurred

due to delays in implementing a new service structure and acquiring replacement vehicles.

- 1.34. In addition, the National Waste Plan foresees that by 2035 Councils should increase their recycling rate to 65% and reduce landfill to 10%. This will require an uplift in recycling rates of around 1.5% every year. This is against a predicted increase in population and households that will create extra demand. The Wood Report of January 2020 said that to address the Council needed to make a series of improvements in several areas; Staffing and management structures; Communications; Service/policy inconsistency; Customer Services/ICT systems; Vehicle routing and round size; Vehicle replacement; Enforcement/engagement activities; and Trust.

Conclusions

Housing

- 1.35. We consider that the budget for this service group is insufficient. The scale is significant. The major pressure is related to the numbers of persons coming forward as Homeless. We accept that the proposed investment in prevention work is the right approach and with the creation of 'hubs' it should have the joint impact of reducing the numbers in temporary accommodation and the average cost. But we have not seen the detail of how the Business Case proposal will be implemented and therefore we can only support the principle of what is proposed.
- 1.36. This requires the investment of £2.6 million (including a charge of £0.3 million to the HRA) to recruit staff to do the preventative work. We also take the view that whatever is proposed will not happen immediately, particularly as the service is struggling to keep pace with its current caseload. As a result, we can see that the demand for temporary accommodation will continue to rise into 2021/22 and 2022/23. The current estimate is that the requirement is £7.4 million in 2021/22 and a further £8.7 million in 2022/23. After that if the preventative strategy is successful the budget should start to show savings: a reduction of £0.5 million in 2023/24 and further reduction of £8.9 million in 2024/25. We see this as a realistic requirement on top of the other proposals in the MTFP.
- 1.37. At this stage the Selective Licensing proposal is not ready for launch and should therefore not be considered for inclusion in the budget.

Neighbourhoods

- 1.38. If the additions to the budget made in 2020/21 are continued into 2021/22 then this budget is sufficient. We do accept that this does carry a risk as the major asset of this service group is buildings many of which are old for which there is limited revenue and capital available so should any building fail then there would be a loss of income.

Regulatory & Enforcement

- 1.39. The evidence from the progress of the 2020/21 budget is that there is a need to address the under-achievement of income targets in Bereavement and in Markets. A proposal in the MTFP seeks for this to take place, and this appears justified. We do support the need for a strategic review of the future income generating capability of the Bereavement Service and the Markets. Other, more minor items have not been included (e.g. Regulatory IT; Coroners Court) in our consideration because they remain unquantified but are a risk to the achievement of the budget. We consider that if the budget additions are repeated, and the income shortfalls addressed the budget should be sufficient.

Streetscene

- 1.40. There are some significant issues to consider to ensure the sufficiency of the budget for this Service Group.
- 1.41. In the case of Grounds Maintenance, we recognize this is an issue (with exceptions) internal to the Council in that this service is driven by requirements from other parts of the Council. We suggest the opportunity is taken to review how the cost of maintaining all open spaces is recorded in the Councils budget, rather than adjust the budget at this stage.
- 1.42. In the case of Trade Waste, we recognize this service operates in a highly competitive market. The flatness of income levels achieved in recent years suggests a detailed review of pricing is required but that a budget sufficiency adjustment should be made. We understand there is a proposal for a wide-ranging review of this service which we would support.
- 1.43. We can also see that the delay in upgrading the vehicle fleet will mean extra cost for the Garage, but we have seen no detailed justification for the suggested figure. Though we suggest there is a detailed review needed we do think that a budget adjustment is likely to be needed.
- 1.44. We do not think increasing the budget for Street Cleansing can be justified while apparently the service is meeting its target. We would suggest that a more detailed business case is needed to justify any increase in budget provision and that this should be undertaken as a priority.
- 1.45. We recognize that there has been a recent downturn in the demand for recycled material but we think that it is too early to judge whether this is a long-term issue requiring a permanent budget adjustment. We would however suggest that whilst this is currently noted as a downturn due to the pandemic there are structural changes in the market with higher standards required for recycle that could have ongoing restrictions on the income the Council can obtain.
- 1.46. We would however suggest that there is a need to look at the long term future of the Waste Collection Service. The cost of the service has always been above the Metropolitan District average and is in 2018/19 in the worst quartile for cost and the service is not meeting the Council's objectives. This position is likely to worsen if the service does not invest in its vehicle fleet. We are aware that both Wood and WRAP have confirmed the shortfalls in

the outcomes obtained and have given pointers as to the potential improvements that could be made. These, to our knowledge have not been costed, but whatever is decided upon is likely to be significant and would worsen the comparative cost position against other councils, but we would suggest would be a high priority for the Council.

Summary

- 1.47. On the basis of our work, we conclude that the following Budget Sufficiency additions should be made to the 2021/22 budget totalling **£14.813 million**:

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				

