

BIRMINGHAM CITY COUNCIL

RESOURCES O&S COMMITTEE – PUBLIC MEETING

**1400 hours on Thursday 28 July 2022, Committee Room C, Council House
Extension, Margaret Street**

Action Notes

Present:

Councillor Aikhlaq Ahmed (Chair)

Councillors: Bushra Bi, Rashad Mahmood and Paul Tilsley

Also Present:

Fiona Bottrill, Senior Overview and Scrutiny Manager

Rebecca Hellard, Director of Council Management (on-line)

Benjamin Lawrence, Apprentice Finance/Audit Practitioner (on-line)

Richard Peirce, Finance Manager, Financial Strategy (on-line)

Sara Pitt, Director of Finance (Deputy Section 151 Officer)

Mohammed Sajid, Interim Head of Financial Strategy

Steve Sandercock, Interim AD, Procurement (on-line)

Gail Sadler, Scrutiny Officer (on-line)

1. NOTICE OF RECORDING/WEBCAST

The Chair advised the meeting to note that this meeting will be webcast for live and subsequent broadcast via the Council's meeting You Tube site (www.youtube.com/channel/UCT2kT7ZRPFCXq6_5dnVnYlw) 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 Councillors Meirion Jenkins and Ken Wood.

3. APPOINTMENT OF COMMITTEE, CHAIR AND DEPUTY CHAIR

- i) The resolution of the City Council appointing the Committee, Chair and Members to serve on the committee for the period ending with the Annual Meeting of the City Council in 2023 was noted.

- ii) Councillor Bushra Bi was elected as Deputy Chair.

4. DECLARATIONS OF INTERESTS

None.

5. RESOURCES OVERVIEW AND SCRUTINY COMMITTEE – TERMS OF REFERENCE

Noted.

6. ACTION NOTES

(See document No 1)

RESOLVED:-

The action notes of the meeting held on 24 March 2022 were agreed.

7. PROVISIONAL FINANCIAL OUTTURN REPORT 2021/22

(See document No 2)

Sara Pitt, Director of Finance (Deputy Section 151 Officer) and Mohammed Sajid, Interim Head of Financial Strategy were in attendance to present the report.

The following points were highlighted:

- Draft figures for the revenue and capital position were reported to Cabinet in June. The figures remain draft until the external audit later this year.
- Faced challenges during 21/22 flowing from Covid, Brexit etc. but did achieve a revenue underspend of £17.8m after having an overspend half-way through the year of £10.2m.
- Introduced spending controls in November targeting 3 areas i.e. recruitment, procurement and contract management and facilities management.
- The underspend was put into the Financial Resilience Reserve to further strengthen the Council's financial position.
- In 2021/22 CIPFA awarded the Council a 3-star financial rating which is an improvement from a 1 star in 2019.
- Delivered 91% (£33m) of planned savings including a corporate saving of £20m, maintained health reserve balances, reduced borrowing levels, and put in place measures to manage costs down.
- Entered this year with a balanced financial budget so there is no adverse impact on the reserves as we look to manage the Medium Term Financial Plan gap of £33m from 2023/24 onwards.
- Areas of concern/risk include:-
 - the impact of the pandemic on demand for services i.e. housing, social care and a reduced income from parking and leisure.
 - Rising inflation, rising food and energy costs and the impact of Brexit.
- A couple of areas identified to put money aside as part of the outturn report are £1m from the Council Tax Hardship Reserve (2022/23) into the Local Welfare Provision to get extra staff to deal with the rising number of claims.

Using £1.3m from the Financial Resilience Reserve to top up the £12.8m Household Support Grant received from government.

- There was a planned expenditure of £764.4m on the Capital Programme and spent £528.1m. Therefore, a slippage of circa £250m. Slippage on a Capital Programme is not uncommon for many reasons e.g. planning consent or availability of contractors or the procurement process.
- There was an overspend of £26.6m mainly on HRA repairs and maintenance programme e.g. fire improvement works on blocks of flats. The overspend is fully funded and there is no impact on future year's resources.
- Treasury Management using debt to fund capital works. Started the year with a net debt of £3.16 billion and that is down to £2.96 billion because of reduced borrowing in the Capital Programme and paying off debts.
- Other areas of spend and income include the Dedicated Schools Grant where there was a balanced position after moving £13m to reserves, setting aside £5m for the High Needs Block deficit repayment plan and an underspend of £8m. The Housing Revenue Fund was underspent by £4m which is going into the Housing Revenue Account ring-fenced reserve increasing that from £11m to £15m. Also, the Collection Fund which is Council Tax and Business Rates. This was impacted by Covid and at outturn had a £3m deficit compared to an estimated deficit of £36m in quarter 3.

During the discussion, and in response to Members' questions, the following were among the main points raised:

- The Finance Team were congratulated on the financial outturn position for 2021/22.
- One criticism as far as the revenue is concerned was that the Star Chamber will not start until November and officers were urged to bring it forward.
- Concerns were raised about the slippage to the Capital Programme and with rising inflation will mean additional costs to capital projects e.g. the rising cost of steel. Members were told that the key areas making up most of the £200m were £43m on the Perry Barr Residential Scheme due to delays in the works and payments to the bus depot. The property strategy slipped by £47m. £60m looking to buy properties that service the Council's interest. On the Birmingham Breathes and Clean Air Zone there had been a slippage of £19m and that is money the council put aside for truck and taxi drivers to claim grants. There was a delay in the process of applying for a grant but it should get spent this year.
- In terms of the capital programme, all issues/risks are captured on a monthly basis and reported to the Capital Board, Cabinet and Scrutiny.
- It was suggested that it would be helpful if there was a workshop for all Members to look at Treasury Management. Members were told that officers were in the process of bringing in an external person to provide Members with an independent view.

RESOLVED:-

Sara Pitt to look into the provision of training for all Members on Treasury Management and budget training.

8. FINANCIAL MONITORING 2022/23 – QUARTER 1

(See document No 3)

Sara Pitt, Director of Finance (Deputy Section 151 Officer) and Mohammed Sajid, Interim Head of Financial Strategy were in attendance to present the report. The main points included:

- Challenges at a national and local level e.g. post pandemic recovery, Brexit, the Ukraine and price inflation.
- Central government has announced that Councils will receive a two-year funding settlement to give a greater degree of confidence when planning.
- Councils have been failing due to poor governance and decision making, poor procurement and over borrowing. Birmingham is in a good position. There is a focus on value for money and best in class services, as well as a rolling budget approach in place so risks and impacts can be identified early. All current risks are demonstrated in the report and are constantly being refreshed. Risks will be reported again in either Quarter 2 monitoring or the Medium Term Financial Monitoring report.
- Forecasting a balanced budget at year end assuming that all risks have been mitigated. There have been no issues identified with the HRA, DSG or Treasury Management and the Collection Fund income is expected to be on target.
- There are some high-level risks. There is a continuing adult social care demand. There are potential shortfalls in client contributions and a potential gap between the costs of Fair Cost of Care exercise and grant received.
- In Children and Families there are issues with SENAR, Home to School Transport and Birmingham Children's Trust with the rising cost of placements i.e. more costs around mental health issues.
- In City Operations there is a shortfall in income from parking and leisure management but also inflation pressures on electricity and fuel.
- Have budgeted 2.5% for the potential pay award and for every extra 1% it will cost £4m. There is the Resilience Reserve to cover the £4m if needed.
- In addition, there are wider general inflation pressures. They are looking at all contracts to understand the implications and they expect social contracts will be protected.
- There are risks around savings not being delivered. There are circa £10m savings that are being held corporately for this year that will be distributed to Directorates.
- They have a capitalisation target of £20m and are allowed to capitalise transformation costs through the use of capital receipts.
- There are opportunities for mitigations through potential staffing underspends across the Council and through expenditure controls. There is also income from other areas e.g. digital mail and bringing enforcement in-house is also an option. They have a Policy Contingency budget set aside to fund electricity pressures.

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

- Clarification was sought about the length of contracts for electricity and fuel.

- Members queried whether the income from paying for car parking in parks had been taken into consideration in the parking shortfall.
- £12.368m (29%) savings risks include the £10m corporate savings which are to be assigned to Directorates. This highlights the need to get Star Chambers up and running as soon as possible.
- There is always an opportunity to invite officers to attend committee and provide an explanation regarding underspend and the impact on services. For example, reference was made to the escalation in complaints about rubbish and fly-tipping.
- Members asked if the Cabinet Member for Environment can attend a future meeting and were reminded that if the issue was performance related that would be reported to the Housing and Neighbourhoods O&S Committee.
- It was suggested that a summary of the underspend and overspend be shared with all O&S Committee Chairs in order that they may explore this with the relevant Heads of Service in Directorates.

RESOLVED:-

- Sara Pitt to provide:
 - further information on the length of electricity and fuel contracts.
 - A table that can be shared with Scrutiny Chairs to explore if there is a correlation with underspending, overspending and performance.

9. PLANNED PROCUREMENT ACTIVITIES REPORT

(See document No 4)

In line with the procurement governance arrangements in the Constitution, the report was circulated to Members by e-mail last week to give them the opportunity to raise any issues where they were of the view that any individual procurements needed to be referred to Cabinet for executive decision. No issues were raised and therefore the report is on the agenda for today's meeting for noting.

Steve Sandercock, Interim AD, Procurement was in attendance on-line for this item. Members were told that the report went to Cabinet on Tuesday 26th July. Members asked for a separate report on the Dynamic Purchasing System for the Provision of Temporary Accommodation to be brought back to Cabinet. All other items on the report were agreed and noted.

From September, they will be producing two reports for Cabinet - one will be for non-key decisions for Cabinet to note planned procurement activity; the second report will be for all key decision activity over £500k threshold or procurement which impacts on two or more Wards which will be incorporated into the Forward Plan for 28 days before going to Cabinet.

The Chair said that the Planned Procurement Activities Report is a standing item on all Resources O&S agendas and therefore this is the process which will be followed for all future meetings.

RESOLVED:-

The report was noted.

10. WORK PROGRAMME

(See document No 5)

The work programme is a standing item on the agenda and will be constantly updated.

An update was provided on a couple of issues raised at the last meeting:

1. Scrutiny of the Council's budget setting process falls within the remit of this committee and is scheduled for the January meeting. Any work the committee does before January around performance management and financial impacts will help to inform that discussion.
2. The scrutiny inquiry on Council-owned Assets had been led by the Economy and Skills O&S Committee but as property assets now sits within the Resources O&S remit, this committee will monitor the recommendations and this is scheduled for October.

Inquiries

Although not directly related to this committee, six inquiry proposals had been taken to the Coordinating O&S Committee and four will be taken forward i.e.

- Children & Young People's Mental Health
- Child Exploitation
- Skills and Employment
- Health and Wellbeing Legacy of the Commonwealth Games

The Cabinet Member for Finance and Resources has confirmed she is able to attend the September meeting.

A report on the implementation of Oracle was proposed for the next meeting.

RESOLVED:-

The work programme was agreed.

11. DATES OF MEETINGS 2022/23

The proposed dates for 2022/23 meetings were agreed.

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

None.

13. OTHER URGENT BUSINESS

None.

14. AUTHORITY TO CHAIR AND OFFICERS

RESOLVED:

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

15. EXCLUSION OF THE PUBLIC

N/A

PRIVATE AGENDA

16. PLANNED PROCUREMENT ACTIVITIES EXEMPT APPENDIX 3

N/A

The meeting ended at 15.07 hours.