

BIRMINGHAM CITY COUNCIL

RESOURCES O&S COMMITTEE – PUBLIC MEETING

**1400 hours on Thursday 30 March 2023, Committee Room 6, Council House,
Victoria Square, B1 1BB**

Action Notes

Present:

Councillor Akhlaq Ahmed (Chair)

Councillors: Paul Tilsley and Ken Wood

Also Present:

Cllr Yvonne Mosquito, Cabinet Member for Finance and Resources

Hayley Claybrook, Planning Contributions Team

Fiona Greenway, Interim Director of Finance

Mohammed Sajid, Interim Head of Financial Strategy

Steve Sandercock, Assistant Director, Procurement (On-line)

Jayne Bowles, Scrutiny Officer

Fiona Bottrill, Senior Overview and Scrutiny Manager

1. NOTICE OF RECORDING/WEBCAST

The Chair advised that the meeting would not be webcast but was being recorded and would be uploaded to the Council's meeting You Tube site after the meeting (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 Bushra Bi, Meirion Jenkins, Rashad Mahmood and Hendrina Quinnen.

3. DECLARATIONS OF INTERESTS

Councillor Paul Tilsley asked that his standing declaration be noted (non-pecuniary interest as a member of the Birmingham Airport Board).

4. ACTION NOTES AND ACTION TRACKER

(See documents 1 and 2)

The Chair advised Committee that there was one outstanding action - the request for a list of property assets and planned disposals - and this was being followed up.

RESOLVED:-

- That the action notes of the meeting held on 9 February 2023 were agreed.
- That the action tracker was noted.

5. FINANCIAL MONITORING 2022/23 – MONTH 10

(See document 3)

Councillor Yvonne Mosquito, Cabinet Member for Finance and Resources, Fiona Greenway, Interim Director of Finance, and Mohammed Sajid, Interim Head of Financial Strategy, were in attendance for this item.

Councillor Mosquito gave a brief introduction and told the Committee that a lot of work had been done in terms of reducing the deficit, which was now down to around £3m.

Fiona Greenway then highlighted the following key points from the report:

- This report takes us up to the end of January and should give a good indication of where we should be at the end of March.
- There is currently a small year end forecast underspend of £0.8m, which is an improvement of £11.8m compared to the risk of overspend at Month 9.
- Some of the Financial Resilience Reserve has been used and most of that has been used for the cost of living crisis, which was agreed with Councillors through Cabinet and some through Council.
- They have also used what is called the Budget Smoothing Reserve to deliver savings where the timeline had not been as forecast but it had been made clear this was a one-off and the saving must be delivered in the new financial year.
- In City Operations there is a reduction in forecast overspend of £4.2m, due to a number of factors such as spend controls put in place during the year, underspend on the waste disposal contract and managing to secure a better rate of return on the electricity we sell back, therefore bringing in more income.
- There is an estimated underspend of £4.5m on Treasury Management, mainly due to borrowing costs being less than originally planned.
- This has been achieved, despite the volatility in the market, by borrowing less and securing better rates.

- They are trying to adopt an agile and flexible treasury management strategy, delaying borrowing decisions until there is a real need to borrow, and a forecast for every day of the year, updated daily.
- It was known that the rates were going to rise in the second half of the year and so some loans were taken out before that rate rise.
- At the end of last year, our average borrowing rate was 4.43% across all our debt historically and our current borrowing rate at the end of January was 4.43%.
- Looking forward, a rate of 5.25% has been built into next year's budget to make sure there is enough provision for any volatility in the market, however it is expected that rates will be lower than that.
- The strategy at the moment is to borrow less or borrow short term and not lock in a 10 year or 20 year loan until rates have dropped.

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

- **Use of Reserves** - there were concerns that reserves are being used to balance the books and those reserves can only be used once.
- It was suggested that the use of reserves should be treated like a loan, with a view to paying back the money taken out.
- A review had been undertaken of reserves which had sat on the balance sheet untouched for a number of years and where those were no longer needed they had been used to cover off pressures.
- The Budget Smoothing Reserve is in the base budget so that is more of a contingency to be used where savings are not going to plan.
- There is £134m of General Reserves still expected to be left at year end.
- It was suggested that a report just about Reserves could be brought back to Committee to explain one-off reserves, reserves replenished through the budget setting process and what the General Fund balances are which should never be touched and haven't been touched. Members agreed they would welcome this report.
- **Overspend** – it was accepted that a large part of the overspend is in Children and Families and the pressures in respect of children in care and placements, which is a national issue.
- As a council, there is a need to look at how that spend can be funded temporarily until a new budget can be put forward and around £24m has been built into the 2023/24 budget to cover that ongoing pressure.
- There has been a report to Cabinet on the renewal of the Children's Trust contract for a period of 10 years and as part of that the Council will work with the Trust to try and reduce the pressures.
- **Cost of servicing debt** – it was queried why the figure for interest and capital repayments in the annual accounts is vastly different to what we are actually paying.
- Members were told the more reliable figure is the one in the revenue monitoring and the budget.
- The figure in the annual accounts is based on accounting standards and uses something called an effective interest rate which is different to a nominal interest rate.

- It was agreed that a reconciliation of the interest payable figures in the annual accounts would be provided to Members.
- **Increase in rent arrears** – Cllr Wood referred to the increase in rent arrears, particularly with regard to bed & breakfast, some of which he believed was due to Housing Benefit not being claimed at the time people were in temporary accommodation. He had asked Housing Officers how this was being addressed and suggested that it would be helpful if Finance could add any weight to that inquiry. It was agreed this would be picked up with the relevant business partner.

RESOLVED:-

- That a report on Reserves would be brought to Committee.
- That a reconciliation of the interest payable figures in the annual accounts would be provided to Members.
- That the query regarding increase in rent arrears and unclaimed Housing Benefit would be picked up with the relevant business partner.
- That the report was noted.

6. S106 AND COMMUNITY INFRASTRUCTURE LEVY

(See document 4)

Hayley Claybrook, Planning Contributions Team, was in attendance for this item and highlighted the following key points:

- S106 agreements have been in place since 1990 and are a negotiated agreement on major planning applications (15 units or above), negotiated as part of the planning process and must be directly related to the development or necessary to make the development acceptable and fair and reasonable. They are very much based on the individual circumstances of each planning application.
- The Community Infrastructure Levy (CIL) was introduced in 2010 and was adopted in Birmingham in 2016. This is a very different process and is set at a general level of viability across the city, so the financial viability assessment looks at very broad development types, locations and things like land values and build costs. It is tested by examination in public and comes up with a pound per square metre that is chargeable on certain developments within the city. That is why the income received will only be in certain wards where CIL was viable.
- The CIL is a mandatory charge and if there are any S106 requirements, they are negotiated post contribution for CIL.
- CIL is intended to be a more open and transparent process because it is non-negotiable, so developers can look at our GIS system and website and know what the charge is per square metre.
- On 17th March the Government launched a consultation on a national infrastructure levy which will replace S106 and CIL, however it is anticipated it could take 10 years to roll out nationally because it is such a significant change to the way planning obligations are negotiated and the way the process is done.

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

- The importance of consulting with local Councillors in relation to what is wanted in S106 agreements was raised, as S106 should be there for the benefit of the area and Councillors are best placed to know what that is.
- It was understood that all Councillors are statutory consultees on planning applications but acknowledged that there is probably work to be done so that when there is notification of a planning application in a ward which is likely to generate a S106 agreement, this is flagged with ward councillors.
- There are two planning policies which carry legal weight in terms of the negotiation of planning applications, Affordable Housing and Public Space in Residential Developments.
- There is a piece of work being done on a much bigger monitoring process in terms of not only how we monitor our agreements but what we ask for and asking for contributions in the right way for the right projects at the right time.
- It was suggested that flexibility needs to be built in as schemes can take 15 years and a lot can happen in that time, and there should be a desire to actively seek deeds of variation.
- Members were told, however, that whilst deeds of variation can be incredibly useful, there is a reliance on other parties agreeing to sign that variation and if they are not willing they are perfectly entitled to wait out the timescale and then request the funds back.
- It was pointed out that one thing we are very good at is we don't refund money. Apart from a slight refund in this current financial year, the last time was in 2012.
- A report was requested on the level of refunds and it was agreed this would be provided.

Councillor Mosquito told the Committee that she is committed to ensuring the processes for S106 and CIL are as clear as possible so Members are able to understand what can and can't be accessed and can see how the money is being used.

RESOLVED:

- That a report would be provided on the level of S106 refunds.
- That the report was noted.

7. PLANNED PROCUREMENT ACTIVITIES REPORTS

(See documents 5 and 6)

Steve Sandercock, Assistant Director, Procurement, was in attendance on-line for this item and gave an outline of the procurement activities included in both the Key Decision and Non-Key Decision reports.

In doing so, and in response to Members' questions, the following points in particular were noted:

- **Boleyn Road Housing Development** - following a request from the opposition party, it had been agreed a full report would go to Cabinet in May or June.

- **Provisional of vehicles' (large fleet – recycling and refuse vehicles) maintenance, associated services and spare parts** – it was queried why maintenance hadn't been built in with the actual supply of the vehicles in the first place, rather than keeping it separate. It was agreed that as this was an operational issue clarification would be sought from Assistant Director, Street Scene.

RESOLVED:-

- That the query with regard to vehicle maintenance would be clarified with the Assistant Director, Street Scene.
- That the reports were noted.

8. WORK PROGRAMME

(See document 7)

It was confirmed that the report on Reserves would be scheduled for the April meeting.

The Workforce Diversity and Inclusion Dashboard had also been requested.

As the April meeting will be the last one of this municipal year, the work programme discussion at that meeting will focus on reflections of the last year and suggestions for items to be carried forward to next year.

RESOLVED:-

That the work programme was agreed.

9. DATE OF THE NEXT MEETING

Noted.

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

There had been a Request for Call In received in respect of the Boleyn Road Housing Development in the Key Decision Planned Procurement Activities Report, however following agreement that a full report would go to Cabinet in May or June, the Request for Call In had been withdrawn.

11. OTHER URGENT BUSINESS

None.

12. 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.

13. EXCLUSION OF THE PUBLIC

N/A

PRIVATE AGENDA

14. PLANNED PROCUREMENT ACTIVITIES EXEMPT APPENDIX 3

N/A

The meeting ended at 1459 hours.