

BIRMINGHAM CITY COUNCIL

RESOURCES O&S COMMITTEE – INFORMAL MEETING

1400 hours on Thursday 24 June 2021 (On-line Meeting)

Action Notes

Present:

Councillor Mohammed Aikhlaq (Chair)

Councillors: David Barrie, Barbara Dring, Majid Mahmood, Shafique Shah and Paul Tilsley

Also Present:

Councillor Tristan Chatfield, Cabinet Member, Finance and Resources

Councillor Brigid Jones, Deputy Leader

Peter Bishop, Director of Digital and Customer Services

James Couper, ERP Programme Director

Rebecca Hellard, Interim Director of Council Management

Alison Jarrett, Assistant Director, Development and Commercial

Alan Layton, Head of City Finance

Sara Pitt, Assistant Director, Finance

Mohammed Sajid, Interim Head of Financial Strategy

Dale Wild, Head of Service, Cityserve

Jayne Bowles, Scrutiny Officer

Emma Williamson, Head of Scrutiny

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 Internet site (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 Councillors Meirion Jenkins and Lisa Trickett.

3. DECLARATIONS OF INTERESTS

None.

4. FINANCIAL OUTTURN 2020/21

(See document 1)

Councillor Tristan Chatfield, Cabinet Member for Finance and Resources, Rebecca Hellard, Interim Director of Council Management, Alan Layton, Head of City Finance, Sara Pitt, Assistant Director, Finance, and Mohammed Sajid, Interim Head of Financial Strategy, attended for this item.

Cllr Chatfield introduced the report and highlighted the following key points:

- The report is a good news story, given the extraordinary circumstances over the last financial year and the position being not just an underspend but a significant underspend is a very substantial achievement, which probably reflects the improvements made in financial management over the last couple of years – a fact that has been recognised by the recent CIPFA three star assessment;
- Table 1 in Appendix A sets out in detail the corporate position showing a corporate underspend of nearly £25m separated away from Covid;
- In terms of Covid, there was substantial government intervention leaving us with a remaining figure of around £17.5m to meet any needs in the coming financial year;
- Already in discussions with officers it has become apparent that issues around Covid might have a lag that goes on well beyond the formal government intervention period assuming we are now coming to the end of the pandemic;
- The significant underspend allows us to invest in areas of concern, including £12m into a Clean Up Reserve, £10m for a Community Recovery Plan Reserve, £2m into a Major Events Reserve and £36m set aside for a Budget Smoothing Reserve in recognition that we still face a significant financial challenge in future years;
- There is a lot of work being done to cut off that challenge and as we move into a rolling budget process the work for that will be evident and they will be able to report back to O&S on progress.
- That links in to the delivery plan and £8m going into the Delivery Plan Reserve;
- In addition, £2m is being set aside to improve the SEND service and members will be aware of continuing work around this service and the £2m will go towards that work;
- In terms of capital, there has been significant slippage because of Covid and the inability for projects to move forward at the desired speed;
- With regard to the savings programme, there is a delivery of around 77% which is not where we would want to be but given the circumstances around Covid it did mean a great deal of effort had to be directed towards Covid and therefore some of the originally envisaged savings unfortunately suffered some slippage, but given the overall position that is relatively minor given the

nearly £25m corporate underspend and this year underspends have been seen across all directorates.

Alan Layton added the following point in terms of reserves:

- Members will see in the papers that the reserves compared to the previous year have increased from £656m to just over £1b, some of which is us investing in reserves and some is a technical measure whereby for the business rates support received from the government last year because technically it is our future finances so we roll those reserves forward to be used in the budget so is a technical change.

In reply to questions and comments raised by Members, the following responses were given:

- The Cabinet Member is not aware of any further Covid grant funding at the moment but it will obviously depend on what happens as we move forward;
- It was noted that if the government gives guidance, funding is not provided, but where there is statutory legislation they have to find a way to fund it;
- We do have other resources in addition to the £17.5m, which adds up to over £40m in terms of Covid budget cover, which it is hoped will be enough however there may be some lag in terms of impact, for example an increase in domestic abuse referrals, an increase in young people facing mental health problems and the eviction ban has now come to an end so we are likely to see an increase in homelessness, and the financial impact could mean some difficult conversations about resources and part of that could be an ask of Government to provide support to deal with that;
- With regard to the Council Tax deficit of £15.3m, Members were told there is always a deficit of some description inherent in council tax but due to the impacts of Covid a significantly increased deficit has been budgeted for;
- The £12.1m allocated for city clean up and the major events budget of £2m are both one-off but the intention of the events reserve is that it is topped up. It will be used to support major events and the intention in future years is to prop that back up again so it meets the needs of large events – obviously doing the CWG but there are other major events the city might want to bid for, whether they are cultural or sporting events. We have a proud tradition of hosting those events and fully optimistic will continue to bid successfully for those events and obviously we often get income from those but there has to be up-front cost associated with them and it is right we have a reserve position to cover those off;
- The non-deliverable savings of £5m will have to be delivered, they do not disappear. They have been written off for the purposes of this report, but they remain a deliverable savings target and do work towards delivering those savings;
- Reserves have to be considered in the light of a couple of things – one is the overall risk profile of the council, as a local authority, size we are and scale of challenges we take on in terms of regeneration, hosting CWG etc, high profile big cost events do carry a substantial level of risk for the council and therefore it is right our reserve position reflects that and we can't necessarily be compared directly to other local authorities simply because the endeavours we undertake may be different to other LAs. The auditor in the past has commented on our reserve position and it is right that we take a

sensible and mature approach to our reserve position and there is adequate level of risk we are taking on. And it also has to be seen in the light of the debt position we have as well. We carry a lot of debt as an organisation and while interest rates are low at the moment it is important to bear in mind that debt and we do need to make every effort to ensure we have a reserve position that is strong as well;

- In relation to loss of housing benefit income, do we have plans in place for continuation if government grants are stopped going forward;
- With regard to the increase in the level of income in Legal Services, they charge for their services, as do some of the other support services, and are charging to projects and programmes of work so anywhere that we have additional funding for anything they are charging their solicitors' time. They are also an award winning department and are winning quite a bit of business from elsewhere so they support other organisations;
- With regard to loss of advertising income, we have a long term contract in place with Ocean Advertising Ltd and that still has 6 years to run. Yes, we had a loss this year due to Covid, nationally there was a loss across the whole industry. Are in negotiations with Ocean at the moment to see what we can recover over the remaining 6 years and looking at some of the terms on the percentage shares. Also some of the costs we charge into it. Positive we will get a good chunk of that money back. We are seeing some small recovery and over the summer of 2020 when parts of lockdown was lifted we did see a small recovery begin but it is a volatile industry and advertisers don't give much notice – around 3 weeks – and when lockdown was imminent again, we saw those advertisers pull out. What we were able to capitalise on though was to take up some free advertising space for ourselves to get the Covid message out and benefitted us and our partners from a £2m worth of free advertising during 2021 and pointed partners and BIDS to Ocean and they got £6m worth of support during that period so didn't have empty hoardings. Working closely with CWG OC and targeting some of the sponsors for advertising in the city in the lead-up to the games, although only certain sponsors will be able to advertise within a closed set area so we are seeing what we can do outside of that zone and working collaboratively to maximise the benefits and opportunities for the council.
- The Property Services deficit of £4.2m in rental income largely attributed to the Covid 19 pandemic is worrying – it was queried whether there has been an increase in owners returning keys back to the City Council and have we got enough provision in place to negotiate lower rents or alternatively give them a freeze period during the pandemic.
The Cabinet Member advised that as there were no officers from Property Services in attendance, a response on this would have to be provided outside of the meeting;
- There was concern around the Highways infrastructure and whether we had, or would be considering, a revised budget given the potential loss of on-street parking as a result of the Clean Air Zone.
Members were told that always where there is a scheme that has a loss of income attached to it has to be part of that decision and it is absolutely right it has to be reported back not just through report receiving today but through Cabinet Member reports so members can make an objective decision about the financial background to those decisions and yes, when we

are removing parking on the highway, that has an income loss along with other decisions we make around things like property disposal but it has to be considered in the light of the overall cost benefit analysis of that project which should outweigh any income loss;

- In the Street Scene aspect of the report, the outstanding 45 fleet and waste vehicles due to be delivered in June had now been delivered, having been held up due to Covid;
- Annex A9, under-achievement in contract savings £3.427m is quite high and further details were requested on why those contract savings have not been achieved;
- Annex 11, savings programme, it was queried why there are 3 columns for reduced external legal spend;
- There was a proposal to reduce the grant to the Active Wellbeing Society but that has not been achieved and it was queried whether that is because of Covid and us trying to help that society;
- In terms of procurement savings, it was queried whether the target was realistic when it was set or whether it had not been met due to Covid.

Members were told that what has to be borne in mind is that £3m is a very small percentage of overall procurement spend and it probably was a realistic target but Covid made delivering on that quite difficult and there is still work being undertaken all the time around procurement savings and delivering best value on procurement and that will continue. It is always difficult to have an aspirational target, the challenge is that in previous years they have sometimes been too aspirational and unattainable whereas £3m was attainable but unfortunately Covid made it more challenging than it otherwise would have been;

- With regard to the Property Strategy slippage of £62.9m and the engagement of external consultants, further detail was requested on the terms of reference and cost of this, how long the review will take and when we will have a revised Strategy;
- The Property Capital Budget has slipped – money was set aside to take advantage of any opportunities that might come about but Property Services did not come across any such opportunities which were a worthwhile investment for the council so that budget will move forward into future years for when opportunities do arise;
- In November 2020 the whole delivery plan for the council went through Cabinet detailing everything that will be delivered by May 2022 and one whole strand of that is around inclusive growth and within that is the Property Strategy programme of work, the work on the £65m capital receipts and delivering that both through our own companies and sales to third parties, as well as further work on how we sweat our assets (in the 2022/23 forecast budget which goes to next year's budget council meeting there is £38.66m worth of income predominantly to come from those inclusive growth programmes so a lot more sweating of the assets and using our property to best effect.

We will see those come through the committee cycles, some in July and some in September, so there is active work being done, supported by consultants, and the terms of reference and costs for the consultants will be provided to Members;

- With regard to the slippage around the Clean Air Zone, it would be helpful in future months to have quarterly figures in terms of income generated to see if it's in line with what we were hoping to achieve;
- A request was made for a report to be brought to a future meeting on the council's long-term debt strategy and debt history;
- The £156m of loans taken out towards the end of 2019/20 were taken out for a 1-3 year period specifically to cover pre-payment to the pension fund and that would be repaid over the three years and charged to the revenue fund. The council makes a saving by being able to pay up-front three years worth of contributions rather than paying each year. There was a discount of around £20m;
- Whether we borrow short term or long term is a tactical decision we take and generally try to make the borrowing commensurate with the benefits. For the capital programme we would be looking to borrow long term. Anything above 364 days is long term;
- In terms of repayment, the council has to make a statutory provision every year for the repayment of debt so we have to set aside money from our revenue budget, which is around £140-150m per year. That money can be used to repay the debt or offset borrowing for future programmes. Effectively it is money that should be reducing our debt. Our borrowing needs were lower last year because the capital programme slipped and we also had funding from the government;
- We do borrow money from other local authorities – the interest rate payable is lower than that paid to the Public Works Loan Board so is justifiable in terms of the deal;
- Collection Fund Outturn – it seems we are paying 1% of our business rates to the West Midlands Fire & Rescue Authority and it was queried whether that is just us or other local authorities in the West Midlands as well.

The report was noted and:

- Report on long term debt strategy (and debt history) to be added to the list of items to be scheduled into the work programme;
- Property Strategy – further details to be provided on the terms of reference and costs for the external consultants;
- Property Services deficit of £4.2m in rental income largely attributed to the Covid 19 pandemic – further information to be provided.

5. IMPLEMENTATION OF THE COUNCIL'S FINANCE AND HR ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM

(See document 2)

Councillor Brigid Jones, Deputy Leader, Peter Bishop, Director of Digital and Customer Services, and James Couper, ERP Programme Director, attended for this item.

Cllr Jones gave Members some background to this item and in doing so made the following points:

- The council's Finance and HR system needed replacing and this is the project which is currently on-going;
- A pause and re-set was required a few months ago to make sure that the programme was fully aligned to the improvement journey that both Finance and HR have been on;
- This is not just a piece of IT software – done right it should be a real tool for driving improvements in our services and modernising the way the council works.

Officers highlighted the key points in the presentation and in the course of the discussion, and in response to Members' questions, the following were amongst the main points raised:

- There is a commitment to bring regular monthly updates on the implementation of the new system to committee, with more detailed quarterly reports;
- Officers were asked whether Covid had impacted on the implementation of the new system and Members were told that the council has chosen a software partner who has a significant number of operations off-shore in India and this had resulted in some delay with the delivery of 16 items built off-shore;
- There had been no specific issues with more locally based staff, the biggest challenge had been how to bring people together to collaborate;
- Concern was expressed that the cost had doubled, however Members were given the background to the reasons for the delay and increased costs and the detailed options appraisal that had been included in the report which went to Cabinet in March;
- A significant amount of work has been done on cyber security and Oracle have to demonstrate that the environment in which they operate is secure every 6 to 12 months and they are complying with all relevant standards;
- In response to a question about whether other local authorities had implemented this system and whether there were any lessons that could be learned, Members were told that there were others, including Solihull, Walsall and Cornwall, who are implementing Oracle Fusion Cloud and they do have conversations about the challenges and they have the ability to influence Oracle;
- With regard to training staff to use the new system, they have the ability to provide training to end users in a way that does not take them away from their job by using a tool which enables them to click on an icon whilst they are carrying out a task, how-to clips and virtual classrooms.

The report was noted.

6. CITYSERVE UPDATE

(See document 3)

Cllr Chatfield made the following introductory comments:

- The opportunity to bring this report to O&S was welcomed;

- Members will be aware that Cityserve provides a school meal service in a large number of our schools and has done so for many years, providing a fantastic service and they have done extraordinary things throughout the Covid pandemic in terms of supporting schools and making sure food gets to the most vulnerable children in our city;

Alison Jarrett, Assistant Director, Development and Commercial, who has corporate responsibility, highlighted the key points in the report and Dale Wild, Head of Service, made the following additional points:

- The pandemic has brought the very best out in people where adversity shines a light on the service;
- They took a very early position that whatever the school wanted they would offer them and did not take a “one size fits all” approach to feeding children;
- They were working on a shifting sand basis, not knowing from one day or one week to the next, how many schools they were providing for, whether they were open or closed, if they were open did they have any children in, and essentially had 180 schools doing 180 different things at 180 different times;
- The logistics of that, trying to deploy over 1,000 staff, was somewhat challenging so any compliments and words of praise for the work the teams have done is duly warranted;
- They supported, packed and delivered food parcels and took an early decision, well before all the adverse publicity, that they would put £15 worth of food in those parcels and not include the labour cost and overhead which some private sector competitors chose to do;
- Cityserve is a municipal service and they know they are in a competitive market and are introducing a programme which they call the Dexter Programme, predicated on a young 7 year old child who visited the development kitchen two years ago and he featured in one of the promotional videos where he described his time at Cityserve, where he made his own school meal alongside his colleagues, as being “very fun”;
- This is something they want to emulate across the city so are going directly to headteachers and governors of the schools they serve and asking them to choose a Food Champion within their school so they can act as the eyes and ears of the service right at the heart of children’s food provision in Birmingham;
- They want to learn what the children want to eat and their chefs will make it nutritionally and safety compliant;
- They also want to invite the Food Champions into some of their senior management team meetings, with support staff from their schools, to hear about their experiences in the dining hall;
- They will continue to provide schools with what they want within the budget envelope.

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

- Members congratulated Cityserve on the brilliant service they provide, and noted that for a number of years they had delivered a healthy financial return and had won a number of awards;
- Concern was expressed at the number of contracts lost or where notice has been given, however it was pointed out that whilst a lot of schools have

- applauded the quality and service from Cityserve, it is a highly competitive market with saturated food service provision from the private sector;
- Cityserve does carry some heavy overheads and there is a need to bolster resources and skills sets to win new business;
 - Winning new business is a highly technical process with all tenders being run by consultants who have their own way of evaluating who has the best offer and some of the best offers from Cityserve cannot be captured within their contract framework, leaving little opportunity to promote their significant qualities;
 - They are working on a far more competitive pricing structure and a new engagement process where schools have no reason to worry about quality, service or price and with prices more comparable with the private sector they are hoping their engagement strategy they will be able to secure the contracts in the future;
 - The service provides school meals to both LEA schools and academies, with the split being around 80% LEA or free schools and 20% academy chains;
 - However, when academy chains look for food service providers they look mainly across a national platform and some of the larger academies will do a deal with a private sector partner who can service all of their academies as opposed to localising it in Birmingham;
 - It was suggested that the government should introduce minimum nutritional standards for school meals and Members were told that there are standards already in place. It is all written in the School Food Plan and in addition there are national school nutritional standards which are set as guidelines but these standards only apply to LEA schools and not to academies, who can choose whatever food they like;
 - The importance of the municipal responsibility the council has to children in the city was stressed and a view was expressed that the hashtag #All about the kids should be brought back, and that the government should be lobbied to bring back home economics as a core subject in schools;
 - Dale told Members that he would ask the question about bringing home economics back in schools at the All Party Parliamentary Group which he attends;
 - Members were also pleased that individual needs had been recognised and catered for as part of the food provision to schools during lockdown;
 - The question was asked whether going forward there could be some consideration given to providing food hampers for children on free school meals who are fasting so they can take the hampers home and open them when they break their fast;
 - Members were told that this is something that has been discussed and they will look to price that up and see what they can do;
 - The Learning and Development Suite and Development Kitchen are part of the Ashted Lock offices which they have offered to surrender to the City for alternative use as all Cityserve office staff are currently working on an agile basis and they do not feel they need to move back into that space;
 - However, they are mindful they do have those two assets there and their solution to this is to work closely with the schools and invite them to participate in enabling them to use their kitchens and dining halls as community learning and kitchen and menu development centres.

The report was noted and

- Consideration to be given to the provision of hampers for children on free school meals who are fasting;
- The suggestion for home economics to be brought back as a core subject in schools to be raised at the All Party Parliamentary Group.

7. PLANNED PROCUREMENT ACTIVITIES REPORT

(See document 4)

Cllr Chatfield introduced the report and explained that, as Members who have previously served on the committee will be aware, the report and the Constitution references Scrutiny having an oversight and being able to refer items of concern to himself as Cabinet Member and this is the opportunity to do that if there are any issues. It was further pointed out that these matters are within delegations so the decisions sit with officers but there is an opportunity, should Members wish to, to refer these to Cabinet for a separate report.

Cllr Mahmood indicated that he wished to raise some issues on the exempt appendix which the Chair confirmed would be dealt with in private.

He also raised the following points:

- **Enterprise Resources Planning Data Migration Service** – this is a single contract award and with most single contract awards we put on there that they are certified for the Business Charter for Social Responsibility but in this case there is no information confirming that they have implemented the BCSR and that it would be helpful to include that information; They are expected to sign up to the BCSR and any detail within that would be the responsibility of contract management through the normal process and if they are not delivering what they committed to in the social value action plan then that would be a matter which represents breach of contract. More detail on this can be provided if required.
- **Housing Stock Condition Survey** – this refers to 60,000 dwellings and as that is a figure that has been quoted for many years, confirmation was sought as to whether that figure is now accurate given that we have demolished a number of tower blocks and there are a number of Right to Buy transactions completed on a weekly basis, and also is 12 months sufficient for that contract given the number of properties; The Cabinet Member responded that whilst we do lose some properties, new properties are being built, but said that he will check that figure.
- **Operational & Strategic Taxation Advice** - where we say we have no expertise in-house, do we actually investigate whether we can bring that expertise in-house so that we can create jobs.

The report was noted and:

- Housing Stock Condition Survey reference to 60,000 dwellings – correct figure to be confirmed and also whether 12 months is sufficient for that contract given the number of properties;

- Operational & Strategic Taxation Advice – response to be provided as to whether we actually investigate whether we can bring that expertise in-house so that we can create jobs.

A brief discussion on the private appendix took place in private at the end of the public meeting.

8. WORK PROGRAMME 2021/2022

(See document 5)

The work programme was discussed as follows:

- Monthly financial monitoring reports and ERP update have been scheduled;
- Cllr Mahmood's request for a report on the long-term debt strategy was noted;
- Members confirmed that they would like to continue with the piece of work which had been started on Procurement and Contract Management and an informal session will be arranged.

The work programme was noted.

9. PROPOSED DATES OF MEETINGS 2021/2022

The proposed dates were noted, however they will be looked at again to see if those which fall on the same week as City Council can be moved. The dates will be brought back to the formal meeting in July.

10. OTHER URGENT BUSINESS

None.

The meeting ended at 1610 hours.