

Birmingham City Council

Economy & Skills Overview and Scrutiny Committee

10 January 2024



Subject: Asset Disposal Programme and Cabinet Property Committee – Scrutiny Approach

Report of: Christian Scade, Head of Scrutiny and Committee Services

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1 Purpose

- 1.1 This report sets out the arrangements for the new Cabinet Property Committee and considers how the Economy and Skills Overview and Scrutiny Committee (as Lead Committee) can initially take forward the scrutiny of its decisions.
- 1.2 While the Economy and Skills Overview and Scrutiny Committee will determine how this scrutiny will be undertaken, this should be shaped to balance the requirement for effective scrutiny with the need to provide accelerated delivery of the Council's asset sales programme. Given the cross cutting nature of this work, this scrutiny should also be developed in conjunction with the Chair of the Coordinating Overview and Scrutiny Committee.
- 1.3 As the programme is being delivered, Overview and Scrutiny Committees may undertake further work to consider the wider impact on private investment and rationalised property investment portfolio.

2 Recommendations

That the Committee:

- 2.1 Notes the information set out in this report.
- 2.2 Agrees an initial approach to scrutiny of the Cabinet Property Committee decisions.

3 Background

Cabinet Property Committee

- 3.1 On 12 December, Cabinet approved the proposal to create a new Cabinet Committee to accelerate property decisions. This Committee will expedite asset sales to support the delivery of the Council-wide strategy for the 2024/25 financial year. This recommendation was included in the Cabinet Report – Section 151 Officer Update on the Financial Position of the Council – December 2023 (Appendix 1).
- 3.2 A key element of the Council's financial recovery will be a review and assessment of the capital programme and assets within the Council. This is with the intention of developing capital receipts for the Council in order to support the formal application for a Capitalisation Direction the Council's potential Equal Pay accounting liability; the costs involved in the redundancy scheme; and support to deliver a balanced budget for the 2024/25 financial years.
- 3.3 Birmingham City Council is the single largest owner of property in Birmingham and holds the largest land estate of any UK local authority, extending to 26,000 acres. The portfolio, excluding residential homes, infrastructure and schools has an asset value of over £2.4 billion. Income generating assets attract on average £34 million revenue per annum. There are more than 6,500 property assets (land and buildings) in the portfolio and over 300 of these have historic interest.
- 3.4 To support this approach, a programme of rationalisation and re-gearing of its investment property portfolio has been agreed. The portfolio in scope for the Strategy is comprised of development sites and strategic assets, industrial premises, retail premises and miscellaneous assets located across the city. A new asset strategy reflecting the current financial situation is being prepared.
- 3.5 The terms of reference (Appendix 2) of the new Cabinet Property Committee is to approve proposed sales of council property and assets as part of the Council wide Asset Strategy. The Committee will have delegated powers from the Cabinet to declare land and property surplus to requirements. It will have the power to determine high value property sales, the means of disposal and the acceptance of offers. The Property Committee's main purpose will be to deliver the capital receipts programme without delays. It will have these powers for both General Fund Assets and Housing Revenue Account Assets.
- 3.6 Specifically, the Cabinet Property Committee's Terms of Reference will include:
- a) To exercise full delegated executive powers to consider and make decisions on:
 - b) All land and property transactions including the Investment Property portfolio where the City Council has an interest;
 - c) The acquisition and disposal of leasehold interests for rent (including the granting and surrendering of any rights over such land and property);

d) The acquisition and disposal of freehold and leasehold interests at a premium;

e) The management of all of the Council's land and properties, including the authorising and payment of discretionary contributions towards trade/loss and or removal expenses and all payments due under an approved Compulsory Purchase Order.

f) To report to Cabinet setting out progress on delivery of the receipts target.

3.7 The Council's existing Scheme of Delegation to Officers in relation to lower value Property Transactions will remain in place.

3.8 The Cabinet Property Committee decisions shall only be taken based on written report(s) from Chief Officers and after any appropriate advice from the Head of Paid Service, Monitoring Officer, and Section 151 Officer.

3.9 The new Cabinet Committee met for the first time on 20 December 2023. Its membership will comprise the Leader of the Council, Cllr John Cotton; Deputy Leader, Councillor Sharon Thompson; Cabinet Member for Finance and Resources, Cllr Brigid Jones, and Cabinet Member for Housing and Homelessness, Cllr Jayne Francis.

Role of Overview and Scrutiny Committee

3.10 On 6 December 2023, the Economy and Skills Overview and Scrutiny Committee re-considered its work programme for the remainder of 2023-24. This discussion was significantly informed by:

a) Comments from the Commissioners on the work programme report: "The impact of the Direction regime will focus on the management and use of Council assets and a step change in the needs for disposals to cover any funding gap in the budget. Some authorities have reported an increase in private sector investment as councils have disposed of assets and concentrated their activities into fewer physical locations. The committee might find it useful to undertake work in this area as against activity which will be severely constrained by spending controls".

b) Centre for Governance and Scrutiny report, November 2023: Recommendation 5 – 'Reframe the scrutiny work programme to focus on the Council's improvement and recovery priorities.'

c) Overview of related scrutiny activity undertaken by Local Authorities facing similar challenges.

3.11 Other Local Authority examples included:

a) **Slough Borough Council** – the relevant Overview and Scrutiny Committee received a report on the current progress of the Asset Disposal Programme from the Executive Directors of Housing and Property and the Section 151 officer. The purpose of the report was to provide oversight on the delivery of the Asset Disposals Programme and the simplification of the property portfolio and enable the Council to focus on its core activities and services. This, in turn, will contribute to the reduction in the Council's future financial commitments,

generate disposal receipts at the earliest opportunity and reduce the Council's borrowing and Minimum Revenue Provision (MRP). Specifically, the Committee were asked to note the current progress in the disposal of assets where authority has been approved by Cabinet, and the status of the pipeline of future assets being brought forward for disposal.

- b) **Croydon Borough Council** – the relevant Overview and Scrutiny Committee undertook Pre Decision Scrutiny on a proposed asset disposal – The Colonnades. The Colonnades was the largest asset marked for disposal in Tranche 1 of their asset disposal programme. The Committee were asked to review the information provided and consider whether it wished to raise any considerations for the Corporate Director of Resource to take account of when making the final decision.

3.12 The Committee undertook to receive a report on how they can carry out scrutiny of asset disposals in their January Committee. Given the cross cutting nature of this work, this was referred to the Co-ordinating Overview and Scrutiny Committee. On 15 December 2023, the Coordinating Overview and Scrutiny Committee agreed that Economy and Skills O&S Committee will be the initial Lead Committee to take this work forward.

3.13 As this programme of property and asset disposals gathers pace, wider impacts on private investment trends will also need to be considered. The Economy and Skills Overview and Scrutiny Committee intends to consider how it can best add value in this area, building upon best practice from other Local Authorities facing similar challenges.

4 Any Finance Implications

4.1 Financial implications will be considered as part of the process of the budget setting process. On 12 December 2023, Cabinet agreed to recommendations to align resources to the delivery of the 2024/25 and 2025/26 savings programme. This included approval to create a 'Cabinet Committee - Property' to expedite asset sales to support the delivery of the Council-wide strategy for the 2024/25 financial year. Future requests for financing of resources to deliver the savings programme will be presented in line with the scheme of delegation, having been taken through the Section 151 Officer Spend Control Board.

5 Any Legal Implications

- 5.1 Members have a duty to ensure that the Council acts lawfully. The Council must set and maintain a balanced budget and must take steps to deal with any projected overspends and identify savings or other measures to bring budget pressures under control.
- 5.2 Members are reminded in this context of their fiduciary duty to the Council Taxpayer, effectively to act as trustee of the Council's resources and to ensure proper custodianship of the Council's resources.

6 Any Equalities Implications

- 6.1 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
 - 6.1.1 eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
 - 6.1.2 advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - 6.1.3 foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 6.2 The Committee should ensure that it addresses these duties by considering them during work programme development, the scoping of work, evidence gathering and making recommendations. This should include considering: How policy issues impact on different groups within the community, particularly those that share a relevant protected characteristic; Whether the impact on particular groups is fair and proportionate; Whether there is equality of access to services and fair representation of all groups within Birmingham; Whether any positive opportunities to advance equality of opportunity and/or good relations between people are being realised.
- 6.3 The Committee should ensure that equalities comments, and any recommendations, are based on evidence. This should include demographic and service level data and evidence of residents/service-users views gathered through consultation.

7 Appendices

- 7.1 Appendix 1: Cabinet Report, 12 December 2023– Section 151 Officer update on the financial position of the Council – December 2023
- 7.2 Appendix 2: Property Cabinet Committee Terms of Reference

8 Background Papers

- 8.1 Independence Governance Review (produced for Birmingham City Council), Centre for Governance and Scrutiny, November 2023
- 8.2 Report to Extraordinary Corporate Overview & Scrutiny Committee (28 November 2023), Thurrock Borough Council: Revenue Budget Savings Proposals - Scrutiny 2024/25.
- 8.3 Report to Place Scrutiny Panel (19 January 2023), Slough Borough Council: Asset Disposal Programme Update.
- 8.4 Report to Scrutiny and Overview Committee (6 October 2023), Croydon Borough Council: Pre Decision Scrutiny: The Colonnades, 619 Purley Way, Croydon, CR0 4RQ – Asset Disposal.

- 8.5 Report to Scrutiny and Overview Committee (21 November 2023), Croydon Borough Council: Pre Decision Scrutiny: Progress update on tranche 1 asset disposals, seeking approval for tranche 2 of asset for disposal and approval of the update of the Community Asset Transfer Policy.
- 8.6 Report to Finance and Resources Committee (17 March 2022), Liverpool City Council: Information Item – Council owned assets currently available for sale/ lease.
- 8.7 Report to Growth, Resources and Communities Scrutiny Committee, Peterborough City Council: Independent Improvement and Assurance Panel Report.
- 8.8 Report to Growth, Resources and Communities Scrutiny Committee, Peterborough City Council: Community Asset Transfer Programme Update.
- 8.9 Report to Growth, Resources and Communities Scrutiny Committee, Peterborough City Council: Locality Asset Review – Update.

Birmingham City Council

Report to Cabinet

12 December 2023



Subject: Section 151 Officer Update on the Financial Position of the Council – December 2023

Report of: Leader, Councillor John Cotton

Relevant Cabinet Member: Cabinet Member for Finance & Resources, Councillor Brigid Jones

Relevant O&S Chair(s): Chair of Finance & Resources Overview & Scrutiny, Councillor Jack Deakin

Report author: Fiona Greenway, Interim Director of Finance and Section 151 Officer

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential: N/A		

1. Executive Summary

- 1.1 This report outlines the financial situation of Birmingham City Council as 1st December 2023. As outlined in the report to Cabinet on 14th November 2023, the City Council faces very significant structural financial challenges. This is the second report in a series of the regular updates on the financial position of the City Council.
- 1.2 This report will focus on:
- a) An update on the 2023/24 savings programme;

- b) An update on the financial position for 2024/25 and 2025/26;
- c) An update on progress against the budget setting timetable for 2024/25;
- d) Commencement of processes in respect of Statutory and Non-Statutory Employment Consultation;
- e) A position on additional activities and resources required to identify and deliver the savings proposals for 2024/25 and 2025/26; and
- f) Proposal in relation to a new Cabinet Committee to accelerate property decisions.

1.3 As outlined within the Section 114 subsection 3 notice issued under the Local Government Finance Act 1988 on 5th September 2023, the Council is facing a challenging financial situation. The Council has insufficient resources to meet the expenditure required in relation to the costs of providing for Equal Pay claims.

1.4 As a result of our current situation, the Section 151 Officer is unable to write a supporting going concern statement for prior year draft accounts for 2020/21 and 2021/22. She is also unable to make a Section 25 statement under the Local Government Act 2003 in relation to the robustness of estimates and adequacy of reserves.

1.5 This leaves the Council in a precarious financial situation. Due to the extended timeline over which these issues have arisen, the overspend for 2022/23, the forecast overspend for 2023/24, and budget gaps for 2024/25 and 2025/26 create a financial challenge, so significant, that it cannot be addressed in one year.

1.6 As reports on 25th July 2023, Cabinet was advised of a forecast General Fund overspend against budget of £87.4m. Due to confirmed non-delivery of savings in the current year, 2023/24, there is a total of £39.9m being effectively written off. In addition, due to a lack of expediency in delivery of new savings to address this in-year budget gap, the Council is left with little option but to address the overspend through the use of one-offs. This further deteriorates the medium term financial stability of Council finances, by depleting reserves.

1.7 The position in this report, and associated savings proposals, will have a profound impact on the way the Council works going forward. The budget gaps for 2024/25 and 2025/26 cannot be addressed through one-off savings, and the savings being proposed must be robust to satisfy the statutory duties of the Section 151 Officer.

- 1.8 Further to this, there will be a financial impact on all capital programmes not fully funded by external resources. The Council is reviewing the existing capital programme and preparing an asset strategy that reflects the current financial situation. This report outlines the governance arrangements to facilitate an orderly targeted approach to asset disposals, commencing as soon as possible to generate capital receipts.
- 1.9 At the time of writing this report, the current two year savings target for the Council is circa £300m following a re-basing exercise of the 2023/24 budget. Corporate Leadership Team has been working towards a £215m savings target for the 2024/25 financial year. To date the Council has identified £149.8m of savings, which continue to go through due diligence due to the delivery risks flagged within these proposals.
- 1.10 With a savings programme which has historically underdelivered, this means that the Council is building a new savings programme from a standing start. Every effort must be made to commence delivery of savings as soon as possible.
- 1.11 Any undelivered savings in any area of the Council will need to be compensated for immediately through equivalent savings. This requires every budget holder to take ownership and responsibility for delivering their savings, and recognise that failure to deliver their savings will undoubtedly lead to reductions in other services including further redundancies.
- 1.12 The Council is currently in a position where it is unable to set a lawfully balanced budget, and as such further consultation is now required with the Department of Levelling Up, Housing and Communities (DLUHC) to explore additional Exceptional Financial Support (EFS) to enable the setting of a balanced budget for 2024/25.
- 1.13 The precise value of a 'minded to' capitalisation from DLUHC is to be confirmed later in the budget setting process following assurance of the savings programme. This would need to be large enough to cover provisions for Equal Pay, capitalisation costs involved in a redundancy scheme, and the forecast budget deficit 2024/25. The precise amount that will actually be capitalised will only be determined at year-end such that if the Council overdelivers then the capitalisation value will reduce.

2. Recommendation(s)

- 2.1 Cabinet is recommended to:

- a) Note the update on the **2023/24 financial position**;
- b) Note the current status of budget setting for the **2024/25 and 2025/26 financial years**;
- c) Delegate authority to the Corporate Leadership Team (CLT) to complete all **preparatory work necessary to deliver the savings programme for the 2024/25** financial year. This is to include, but is not limited to, commencement of employment consultation, developing detail for the delivery of the proposed savings, and engaging with the public, stakeholders and service users;

This is with the acknowledgement that the proposed savings are subject to consideration as part of the Council Tax setting process, due to be presented to Cabinet on 13th February 2024 and City Council on 27th February 2024.

- d) Approve the **increase in garden waste charges from £50 to £60**, with effect from 1st April 2024;
- e) Note that the Chief Executive, as Head of Paid Service, will be **issuing necessary statutory and non-statutory employment consultation** in respect to the staffing implications of savings proposals for the 2024/25 financial year. This will include the issuance of Section 188 Notices under the Trade Union and Labour Relations (Consolidation) Act 1992;
- f) Approve the **creation of a ‘Cabinet Committee – Property’** in order to expedite asset sales to support the delivery of the Council-wide strategy for the 2024/25 financial year, with the terms of reference set out in paragraphs 3.39 to 3.45 below;
- g) Delegate authority to the Leader of the Council and the Chief Executive, together with the Section 151 Officer, to **submit a formal written request to the DLUHC for EFS** to allow the Council to deliver a balanced budget for the 2024/25 financial year, as set out in paragraph 3.26, to include:
 - i. Permission to increase the Council Tax level above the referendum limit, and to support this, the Council will review and revise the Council Tax Support Scheme to offset the potential impact to citizens;
 - ii. A formal application for a Capitalisation Direction (figure to be confirmed) and ‘minded to’ letter to cover the Equal Pay accounting liability, the costs involved in the redundancy scheme, and support to deliver a balanced budget for the 2024/25 financial year.

3. Background

- 3.1 As outlined in the Cabinet Report presented to Cabinet on 14th November 2023, and in the supporting Commissioner Review comments, the Council faces significant financial challenges. Pace is required to identify viable savings options for both 2024/25 and 2025/26, and a timetable for this was agreed at the last Cabinet meeting.
- 3.2 Regular reporting on the financial position is required to ensure Cabinet are informed of the current financial situation. In order to expedite the delivery of savings, this report outlines the delegations required to demonstrate progress against additional in-year 2023/24 savings, and to get buy-in for 2024/25 and 2025/26 proposed savings, and the resources required to achieve this in line with the budget setting timetable.

2023/24 Savings Programme

- 3.3 On 25th July 2023, Cabinet was advised of a forecast General Fund overspend against budget of £87.4m for the 2023/24 financial year, for the Council's General Fund. Of this overspend, £35m was due to savings that were rated as Red Risk – i.e. highly unlikely to be delivered within the financial year.
- 3.4 Officers have continued to carry out extensive reviews of savings in recent months. This review has highlighted a total of £39.9m of savings to be written off for the 2023/24 financial year, with additional impacts for future financial years. Table 1 below refers:

Table 1 – Summary of Savings proposed to be written off

<i>All figures in £m</i>	2023/24 Savings	2024/25 Savings	2025/26 Savings
Birmingham Children's Trust	(6.0)		
Children & Families	(1.6)	(3.7)	
City Housing	(5.5)	(3.4)	
Council Management	(2.1)	(1.3)	(0.8)
Place, Prosperity & Sustainability	(4.8)	(5.3)	(9.9)
Corporate Items	(19.9)	(7.7)	(8.5)
Total	(39.9)	(21.4)	(19.2)

- 3.5 Given the position on non-delivery of savings in-year, the only option left to the Council is to address the in-year financial position through the one-off use of reserves. This, by its very nature, has a direct impact on resolving the 2024/25

budget and undermines one of the fundamental core elements of the Section 25 statement on adequacy of reserves.

2024/25 and 2025/26 Financial Position Update

- 3.6 During November 2023, the Financial Planning team performed a 're-basing' exercise on the 2023/24 budget. This included a full review of the key assumptions upon which the 2023/24 incremental budget was based, including:
- a) Inflation;
 - b) Pressures/growth;
 - c) Savings;
 - d) Use of, and contributions to, reserves and provisions.
- 3.7 On 14th November 2023, Cabinet received an update on the financial position for the next two financial years, including savings targets of over £200m. This meant delivering £165m of savings in the 2024/25 financial year, and delivering an additional £35m of savings in the 2025/26 financial year.
- 3.8 During November, Corporate Leadership Team (CLT) presented draft savings proposals for 2024/25 financial year. The value of these savings did not meet the savings target for 2024/25.
- 3.9 These draft savings proposals were presented for discussions at Executive Management Team (EMT), which comprises Cabinet and CLT, on 9th November 2023 and subsequent discussion on 16th November 2023.
- 3.10 In line with the budget-setting timetable, during 7th – 16th November 2023, due diligence has been completed on these savings proposals. This included:
- a) Checking for double counting of proposed savings across Directorates;
 - b) Ensuring savings deliver for the General Fund, and understanding the potential consequential impact on Capital, Housing Revenue Account (HRA), and the Dedicated Schools Grant (DSG) budgets;
 - c) Checking the annual phasing of savings, to ensure recurring savings are prioritised over one-off or two-off savings which defer the problem to later years of the Medium Term Financial Plan (MTFP);

- d) Understanding cross-directorate consequences of service modifications, to ensure pressures are not encountered which offset proposed savings;
- e) Developing Equality Impact Assessments for all proposals; and
- f) Reviewing and challenging the People Services, Procurement, Legal, Risk, and Digital & Technology Services implications for all proposals.

3.11 Some of the above items have impacted the total savings proposals being put forward so far, that is:

- a) Removing savings proposals due to one of the above factors;
- b) Increasing the savings targets due to one of the above factors.

3.12 Further, the first session of the Budget Scrutiny Task and Finish Group took place on the 20th November 2023. Part of the remit of this group will be to challenge the potential benefits and consequences of savings proposals, to feed into the budget setting process.

3.13 Section 25 of the Local Government Act 2003 stipulates that the Section 151 Officer must report on the following matters in line with budget calculations:

- a) the robustness of the estimates made for the purposes of the calculations, and
- b) the adequacy of the proposed financial reserves.

3.14 As a result of inadequacy of reserves, the Section 151 Officer is currently unable to prepare a Section 25 Statement under The Local Government Act 2003.

3.15 In order to mitigate this risk, significant further effort was required to develop additional savings proposals for 2024/25 and 2025/26. Not only to ensure the calculations are robust, but also to return Council reserves to an adequate level.

3.16 This included, but was not limited to:

- a) Exploring asset sales to deliver capital receipts;
- b) A review of the Capital programme;
- c) Opportunities for additional income generation;
- d) Mitigation of pressures;
- e) Service redesign;
- f) Further service reductions of discretionary and non-statutory services.

Additional Activities Required to Identify 2024/25 and 2025/26 Savings

Monday 20th November 2023 to Friday 24th November 2023

3.17 On Monday 20th November 2023, the Chief Executive and Section 151 Officer extended the timeline for development of further savings proposals, to Friday 24th November 2023, in order to support the Section 151 Officer in being able to sign off a lawful budget. This included an additional savings target of an extra £50m due to the above re-basing exercise.

3.18 To achieve this, the following activities were delivered during the week commencing 20th November 2023:

3.19 Due Diligence of Savings/Pressures – In order to develop and challenge the currently presented savings proposals, a team of Director and Assistant Director level Officers across corporate specialisms provided challenge to savings proposals across the week commencing 20th November 2023 to assure the robustness and credibility of presented savings:

- a) Finance
- b) HR
- c) Legal
- d) Procurement
- e) Digital
- f) Risk Management
- g) Equalities Impact Assessments

3.20 Development of Robust Savings Proposals – Corporate Leadership Team Directors scrutinised their savings against the following key areas ahead of Friday 24th November 2023:

- a) Additional Savings Proposals – Savings proposals were cross referenced against the following items, identified through joint Officer and Member engagement, to ensure they are full and complete:
 - i. Early Intervention and Prevention
 - ii. Corporate Services
 - iii. Customer Services

- iv. Cost of Service Failure
 - v. Spending Controls
 - vi. Trading Accounts and Traded Services
 - vii. Agency and Interim Staff
 - viii. Partnership Working
 - ix. Transformation leveraging Oracle
 - x. Maximising Grant Funding
 - xi. Savings via Procurement
- b) Service Review Sessions – Review and challenge sessions, undertaken by a cross-service panel of experts of Assistant Directors across all services in the Council were delivered to challenge the deliverability of savings. This included challenge on –
- i. The basis of the saving, whether it is an efficiency, service reduction, or income generation;
 - ii. The focus of the Directorate on efficiency savings or service cuts;
 - iii. The credibility of each saving for delivery;
 - iv. The consideration given to cross-cutting savings;
 - v. The identification of a Senior Responsible Officer (SRO) for delivery and accountability;
 - vi. The savings profile and timeline over which delivery is achieved.
- c) Cross-Cutting Savings Development – A Director led group developed cross-cutting savings opportunities. As the target is increasing for the next two financial years, cross-cutting savings were considered to be additional to the savings identified to date. The target for this work was £50m deliverable from the 2024/25 financial year on a recurring basis.

3.21 As a result of this work, on Friday 24th November 2023 new savings proposals were submitted to the Section 151 Officer, Chief Executive, and Commissioners. These savings proposals totalled £106m for the 2024/25 financial year and an additional £31m of savings in the 2025/26 financial year.

Monday 27th November 2023 to Friday 1st December 2023

3.22 These savings figures still fell short of the savings targets for 2024/25 and 2025/26. Consequently, further work was undertaken up to Friday 1st December 2023 (inclusive) to develop further savings for the 2024/25 financial year.

3.23 To do this, Directorates sought to bring forward further cross-cutting savings, options to address further non-statutory spend, revise inflation assumptions, and replace proposals previously rejected as not robust or deliverable. These savings areas are:

- a) **Additional cross-cutting savings**, there has been insufficient time for the necessary due diligence to add these to the savings figure at this stage. Work was done to assure their robustness before adding to the total savings figure. These cross-cutting savings will need to be accepted and owned by Directorates, who will be responsible for delivery and realisation within the 2024/25 and 2025/26 financial years.
- b) **Public Health Grant savings**, through a one-off release of reserves over three financial years, between 2024/25, 2025/26 and 2026/27. Reserves have been identified with Directorates needing to allocate budget to the identified grants to realise savings. This still requires further due diligence and sign off from the Director of Public Health
- c) Opportunities identified via a **Member Led Review of budget lines**. The lines identified provided a list of items to cross-reference against savings opportunities, to ensure all budget lines were reviewed as part of the savings process.
- d) Opportunities identified via an **Officer Led Review of Statutory and Non-Statutory Services**. Non-statutory services led to a list of potential additional services to be explored in the savings process.
- e) Opportunities identified through a **Review of Spend Control Board Rejections**. All items rejected in the 2023/24 financial year were reviewed and provided a list of further savings opportunities to cross reference against submissions.

3.24 As of Friday 1st December 2023, the Council has identified £149.8m savings for the 2024/25 financial year. The savings target over the two financial years is now close to £300m. Table 2 below outlines the main categories of savings:

Table 2 – 2024/25 Savings Categories

Category	Total
Efficiency	£ 50.6m
Income Generation	£ 16.2m
Pressure Reduction	£ 7.1m
Service Reduction	£ 72.8m
Other	£ 3.0m
Total	£149.8m

3.25 In order to deliver a full year-impact, specific work is required to prepare for delivery of savings in the 2024/25 financial year. One specific saving requiring Cabinet approval is the approval to increase Garden Waste charges, from the current levels of £50 to £60, which represents a 20% increase. Historically income has been above targets, and it is anticipated that this increase in fee will not affect the take up of the service. This will deliver £1.2m of additional income in 2024/25, which is £700k through increases in the charges and £500k through uplifting the base budget to actual income levels. If increases in charges are delayed the £700k additional income will be unachievable for 2024/25.

3.26 The Council must now explore EFS from the DLUHC after Cabinet on 12th December 2023, following the extended savings exercise above. This will include a request for permission to increase the Council Tax level above the referendum limit, capitalisation of costs involved in a redundancy scheme, and provision of a 'minded to' letter for capitalisation to support delivery of a balanced budget for the 2024/25 financial year. Further non-delivery of savings may increase the final requirements for EFS, as there is no flexibility in the budget to mitigate any shortfalls. It is critical therefore that savings are delivered on time, and to the scale and quantum as laid out in the proposals.

Commencement of processes in respect of Statutory and Non-Statutory Employment Consultation

- 3.27 Following legal advice and as a result of the due diligence exercise, it is recommended that the Chief Executive as Head of Paid Service commences the necessary processes in respect of statutory and non-statutory employment consultation relating to the serious staffing implications of the proposals. That is, the delivery of Section S188 Notices under the Trade Union and Labour Relations (Consolidation) Act 1992.
- 3.28 This is to allow consultation with trade union representatives about ways to avoid any consequential dismissals, to reduce the number of employees to be dismissed and to mitigate the consequences of the dismissals.
- 3.29 This includes, but is not limited to, the commencement of Voluntary Redundancy (VR) and Compulsory Redundancy (CR) schemes. The results of any employment consultation process will be considered in the preparation and agreement of the final budget proposals for 2024/25, and as part of the agreement of savings proposals.
- 3.30 As part of this process, the Chief Executive, as Head of Paid Service, must begin engagement in employment consultation with Trade Unions, to support employees with discussions around redundancies. This should include support to employees at risk of redundancy once savings proposals are agreed as part of the 2024/25 budget setting process.

2024/25 Budget Setting Timetable

3.31 The latest revised timetable and status is as per Appendix 1 attached.

3.32 The key updates following the November Cabinet Report are:

- a) Deadlines to 30th November 2023 have been achieved, including a rebase of the 2023/24 budget and initial savings options returned and presented to Finance as outlined above;
- b) Additional engagement with CLT and EMT has also been conducted, to commence briefing on proposed savings and feasibility;
- c) Further dates have been added to the timeline for additional detail, such as DSG and HRA implications as part of the timeline.

3.33 The most significant element of the timeline is now ensuring the savings proposals presented have sufficient due diligence to ensure the robustness of the estimates. There is a requirement to ensure the savings presented are sufficiently robust such that a lawful budget can be presented for 2024/25 alongside a Section 25 statement.

3.34 The timeline within the Appendix outlines two additional weeks of activities to identify savings proposals as a result of the challenges above to achieve savings targets.

Additional Resources and Capacity Required to Deliver 2024/25 and 2025/26 Savings

- 3.35 Consideration needs to be given to resources and capacity required to deliver the programme of work once agreed for the 2024/25 budget and future financial years. This is required in order to both enable and ensure the deliverability of savings and must commence this calendar year (2023) in order to achieve the full financial year impact of (2024/25) savings from 1st April 2024.
- 3.36 Two key strands of resource must be secured. This will be sourced through a mix of internal capacity (e.g., secondment, placements, re-deployment), short term interim capacity and specific expertise, and the appointment of a delivery partner to support the wider change and improvement activities in the Improvement and Recovery Plan. The capacity will be required to help:
- a) Manage and Monitor the Savings Initiatives – Check, chase, and challenge the delivery of the 2024/25 and 2025/26 savings proposals. These resources will support the escalation of risks and issues to ensure delivery of savings in the respective financial years.
 - b) Deliver the Savings Initiatives – Delivery capacity and resources that can be deployed to Directorates to deliver the savings initiatives themselves and help realise the corporate cross-cutting savings initiatives with a high level of complexity or multiple Directorate delivery. The resource and capacity required will include programme and project management, analyst capacity and additional specialist external resource for specific programmes.
- 3.37 These resources should be scaled based on the deliverability of the savings programme and respond to the needs of the organisation.
- 3.38 The successful development of a lawful balanced budget for the 2024/25 financial year is now the number one corporate priority, and as such a step change in pace of delivery of this programme of work is supported by the Section 151 Officer.

New Cabinet Committee for Property Decisions

- 3.39 A key element of financial recovery, outside of the Revenue savings above, will be a review and assessment of the capital programme and assets within the Council. This is with the intention of developing capital receipts for the Council in order to support the formal application for a Capitalisation Direction the Council's potential Equal Pay accounting liability; the costs involved in the redundancy scheme; and support to deliver a balanced budget for the 2024/25 financial years.
- 3.40 Birmingham City Council is the single largest owner of property in Birmingham and holds the largest land estate of any UK local authority, extending to 26,000 acres. The portfolio, excluding residential homes, infrastructure and schools has an asset value of over £2.4 billion. Income generating assets attract on average £34 million revenue per annum. There are more than 6,500 property assets (land and buildings) in the portfolio and over 300 of these have historic interest.
- 3.41 To support this approach, a programme of rationalisation and re-gearing of its investment property portfolio has been agreed. The portfolio in scope for the Strategy is comprised of development sites and strategic assets, industrial premises, retail premises and miscellaneous assets located across the city.
- 3.42 The terms of reference of the new Cabinet Property Committee is to approve proposed sales of council property and assets as part of the Council wide Asset Strategy. The Committee will have delegated powers from the Cabinet to declare land and property surplus to requirements. It will have the power to determine high value property sales, the means of disposal and the acceptance of offers. The Property Committees main purpose will be to deliver the capital receipts programme without delays. It will have these powers for both General Fund Assets and Housing Revenue Account Assets.
- 3.43 The Council's existing Scheme of Delegation to Officers in relation to lower value Property Transactions will remain in place.
- 3.44 The Cabinet Property Committee's Terms of Reference will include:
- a) To exercise full delegated executive powers to consider and make decisions on:

- b) All land and property transactions including the Investment Property portfolio where the City Council has an interest;
- c) The acquisition and disposal of leasehold interests for rent (including the granting and surrendering of any rights over such land and property);
- d) The acquisition and disposal of freehold and leasehold interests at a premium;
- e) The management of all of the Council's land and properties, including the authorising and payment of discretionary contributions towards trade/loss and or removal expenses and all payments due under an approved Compulsory Purchase Order.
- f) To report to Cabinet setting out progress on delivery of the receipts target.

3.45 Cabinet Property Committee decisions shall only be taken based on written report(s) from Chief Officers and after any appropriate advice from the Head of Paid Service, Monitoring Officer, and Section 151 Officer.

4. Public Consultation and Engagement

- 4.1 This report has been written in consultation of CLT members and has been discussed with EMT. The content of this report is also based on presentations to the Commissioner led Finance Sub-Board.
- 4.2 A public communications and engagement strategy has been developed to that will start on the 13th December 2023. This public consultation will help to inform ongoing decisions and provide extra citizen insight.
- 4.3 The full 2024/25 budget will be subject to legal advice and guidance regarding statutory consultation, at that point specific plans will be developed to ensure all relevant groups and communities are appropriately and meaningfully consulted with.
- 4.4 A statutory business rate payers consultation meeting will be held in January 2024.

5. Risk Management

- 5.1 All savings presented against the 2024/25 and 2025/26 savings targets will be fully risk assessed and will fully risk assessed. This will ensure all savings are presented with a robust risk assessment prior to approval as part of the 2024/25 budget setting process.

6. Compliance issues

- 6.1 **How are the recommended decisions consistent with the City Council's priorities, plans and strategies?** All implications and priorities will be considered in the development of savings proposals alongside CLT and Cabinet Members. EMT engagement sessions ensure that there is alignment of proposals with City Council priorities, plans and strategies.
- 6.2 **Legal Implications:** Members have a duty to ensure that the Council acts lawfully. The Council must set and maintain a balanced budget and must take steps to deal with any projected overspends and identify savings or other measures to bring budget pressures under control. Cabinet is responsible for preparing the annual Council budget in good time for the Council budget meeting on 28 February 2024.

- 6.3 Members are reminded in this context of their fiduciary duty to the Council Taxpayer, effectively to act as trustee of the Council's resources and to ensure proper custodianship of the Council's resources.
- 6.4 The Council must comply with all relevant legal requirements to complete Council Tax Setting in February 2024, including employment consultation and consultation with the public where appropriate on the implications of proposals as part of this process. The Council will make sure that Equality Impact Assessments and all appropriate statutory consultation takes place in the development of savings proposals. This will be referenced in future reports to Cabinet and City Council.
- 6.5 **Financial Implications:** Financial implications will be considered as part of the process of the budget setting process. This report also includes the request to align resources to the delivery of the 2024/25 and 2025/26 savings programme. Future requests for financing of resources to deliver this programme will be presented in line with the scheme of delegation, having been taken through the Section 151 Office Spend Control Board.
- 6.6 **Public Sector Equality Duty:** The Council will ensure that all actions taken in response to these recommendations are in line with the Public Sector Equality Duty, this includes aligning to Equality Impact Assessments completed in the development of savings proposals, and ensuring the impact of savings proposals are aligned to the Public Sector Equality Duty.

7. Appendices

- 7.1 Appendix 1 – Budget Timeline for 2024/25 and 2025/26 as of December 2023
- 7.2 Appendix 2 – High level savings proposals for 2024/25 **(to follow)**

Cabinet Committee – Property

Role of Cabinet Committee – Property

The role of the Committee is to approve proposed sales of council property and assets as part of the Council wide Asset Strategy.

Birmingham City Council is the single largest owner of property in Birmingham and holds the largest land estate of any UK local authority, extending to 26,000 acres. The portfolio, excluding residential homes, infrastructure and schools has an asset value of over £2.4 billion. Income generating assets attract on average £34 million revenue per annum. There are more than 6,500 property assets (land and buildings) in the portfolio and over 300 of these have historic interest.

As part of the Council's Medium term Financial Plan a programme of rationalisation and re-gearing of its investment property portfolio has been agreed. The portfolio in scope for the Strategy is comprised of development sites and strategic assets, industrial premises, retail premises and miscellaneous assets located across the city.

At present the portfolio in scope also includes rental incomes aggregating to approximately £6.7 million per annum and approximately 570 properties.

The council's existing Scheme of Delegation to Officers in relation to Property Transactions will remain in place.

Functions of Cabinet Committee – Property

The Committee's responsibilities include.

To exercise full delegated executive powers to consider and make decisions on :

1. All land and property transactions including the Investment Property portfolio where the City Council has an interest.
2. The acquisition and disposal of leasehold interests for rent (including the granting and surrendering of any rights over such land and property)
3. The acquisition and disposal of freehold and leasehold interests at a premium
4. The management of all of the Council's land and properties, including the authorising and payment of discretionary contributions towards trade/loss and or removal expenses and all payments due under an approved Compulsory Purchase Order

Membership

- i. The Cabinet Committee – Property has been established by Cabinet with the following membership:
The Leader; Cabinet Member Finance plus another 2 Cabinet Members as deemed appropriate by the Leader;
- ii. The quorum for a meeting of a Cabinet Committee shall be two Cabinet Members.
- iii. A substitute member shall be entitled to attend in place of a regular Member provided:
That a Cabinet Member may only be substituted by another Cabinet Member.
That Committee Services has been notified of any substitution before the meeting begins.
- iv. Once an agenda item has begun with a substitute member attending, the regular Member in respect of whom notification has been received, shall not be entitled to vote on the agenda item as a Member of the Cabinet Committee.
- v. A substitute member will be able to vote during the meeting only when s/he is acting as a substitute for a regular Member.

Attendance by Members of the Opposition

- vi. One Councillor from each of the two main Opposition Groups may attend meetings of the Group Company Governance Committee.
- vii. Members of the two main Opposition Groups will attend as observers only. They will be entitled to a copy of the agenda (for the sake of clarity this is both the public and private sections) and will be able to participate in the debate but are not allowed to vote on any item.

Rules of Procedure – Cabinet Committee: Property

- viii. Cabinet Committee decisions shall only be taken based on written report(s) from Chief Officers and after any appropriate advice from the Head of Paid Service, Monitoring Officer and Chief Finance Officer. All reports are to be presented in the template prescribed by the City Solicitor.
- ix. Cabinet Committee decisions are only effective and actionable provided they are taken in accordance with this Constitution, and when posted on the Council's website by Committee Services and following the call-in process.

ENDS