

# **BIRMINGHAM CITY COUNCIL**

## **RESOURCES OVERVIEW AND SCRUTINY COMMITTEE**

**THURSDAY, 08 SEPTEMBER 2022 AT 14:00 HOURS**  
**IN COMMITTEE ROOM 6, COUNCIL HOUSE, VICTORIA SQUARE,**  
**BIRMINGHAM, B1 1BB**

### **A G E N D A**

1 **NOTICE OF RECORDING/WEBCAST**

The Chair to advise/meeting to note that this meeting will be webcast for live or subsequent broadcast via the Council's meeting You Tube site ([www.youtube.com/channel/UCT2kT7ZRPFCXq6\\_5dnVnYlw](http://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**

To receive any apologies.

3 **DECLARATIONS OF INTERESTS**

Members are reminded that they must declare all relevant pecuniary and non pecuniary interests arising from any business to be discussed at this meeting. If a disclosable pecuniary interest is declared a Member must not speak or take part in that agenda item. Any declarations will be recorded in the minutes of the meeting.

**5 - 14**

4 **ACTION NOTES AND ACTION TRACKER**

To agree the action notes of the meeting held on 28 July 2022 and note the action tracker.

**15 - 16**

5 **CABINET MEMBER FOR FINANCE AND RESOURCES - PORTFOLIO PRIORITIES**

Councillor Yvonne Mosquito, Cabinet Member for Finance and Resources, in attendance.

- 17 - 32**
- 6 **FINANCIAL MONITORING 2022/23 - MONTH 4**
- To consider the Month 4 Financial Monitoring Report.
- 33 - 62**
- 7 **LONG TERM DEBT STRATEGY**
- To update Members on the Council's long term debt strategy.
- 63 - 80**
- 8 **PLANNED PROCUREMENT ACTIVITIES REPORT**
- To note the Cabinet report (considered on 6 September 2022) on planned procurement activity.
- 81 - 94**
- 9 **WORK PROGRAMME**
- To agree the work programme.
- 10 **DATE OF THE NEXT MEETING**
- To note that the next meeting is scheduled for 06 October 2022 at 1400 hours.
- 11 **REQUEST(S) FOR CALL IN/COUNCILLOR CALL FOR ACTION/PETITIONS RECEIVED (IF ANY)**
- To consider any request for call in/councillor call for action/petitions (if received).
- 12 **OTHER URGENT BUSINESS**
- To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chair are matters of urgency.
- 13 **AUTHORITY TO CHAIR AND OFFICERS**
- Chair to move:-
- 'In an urgent situation between meetings, the Chair jointly with the relevant Chief Officer has authority to act on behalf of the Committee'.
- 14 **EXCLUSION OF THE PUBLIC**
- That in view of the nature of the business to be transacted which includes exempt information of the category indicated the public be now excluded from the meeting:-
- Exempt Paragraph 3
- 15 **PLANNED PROCUREMENT ACTIVITIES EXEMPT APPENDIX 3**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

16 **OTHER URGENT BUSINESS (EXEMPT INFORMATION)**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chair are matters of urgency.



**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**

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**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)

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**1. NOTICE OF RECORDING/WEBCAST**

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**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 26<sup>th</sup> 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

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The meeting ended at 15.07 hours.



**RESOURCES O&S COMMITTEE**  
**ACTION TRACKER 2022/23**

<b>Date</b>	<b>Agenda Item</b>	<b>Action</b>	<b>Notes</b>
28-Jul-22	Provisional Financial Outturn Report 2021/22	Director of Finance to look into the provision of Treasury Management training for all Members.	
	Financial Monitoring 2022/23 – Quarter 1	Director of Finance to provide: <ul style="list-style-type: none"> <li>• Further information on the length of electricity and fuel contracts.</li> <li>• A table that can be shared with Scrutiny Chairs to explore if there is a correlation with underspending, overspending and performance.</li> </ul>	
	Work Programme	Report on Implementation of Oracle to be included on the agenda for September.	This item has been deferred and is now scheduled for October.



## **Resources Overview and Scrutiny Committee**

**8 September 2022**

### **Cabinet Member for Finance & Resources - Priorities 2022**

- Ensure the Financial Resilience of the Council to ensure that we can deliver services for Birmingham's citizens.
- Use the power of our procurement spend to:
  - increase the social value secured from our contracts, especially focussed on local employment, easing the cost-of-living crisis, tackling inequality and supporting community organisations & social enterprises.
  - extend the Real Living Wage to those in our city who still need the protection of a decent day's pay for their work.
- Ensure that we pay our suppliers on time recognising that the local economy is made up of 96% SMEs who are very reliant on cash.
- Build on our effective relationship with Birmingham Chamber of Commerce and Federation of Small Businesses to enhance opportunities for SMEs both in the winning of tender opportunities and in the supply chain for large value contracts.
- Embed the principles of Everyone's Battle, Everyone's Business into our commissioning and procurement strategies within and across the Council supply chain to support our on-going commitment to tackle the social and economic inequalities in our city.
- Continue to promote the Birmingham Business Charter for Social Responsibility to drive economic, environmental and social benefits for Birmingham businesses and citizens.
- Promote Fair Tax Accreditation to encourage companies to pay their fair share and we will promote businesses contracted by the Council that are matching pay parity with local government.
- Build on the Council's growing reputation in excellence for financial management by supporting the implementation of CIPFA recommendations to achieve 4 Star status.
- Ensure compliance with procurement governance across the Council through the implementation of the new Procurement and Contract Rules.
- Develop and implement a Commercial Strategy to guide the Council's commercial operations to commercial excellence and success.

Councillor Yvonne Mosquito  
Cabinet Member – Finance and Resource





## Report to Resources Overview and Scrutiny Committee – 8<sup>th</sup> September 2022.

### Month 4 Financial Monitoring Report 2022/23

#### 1. High Level Summary Financial Position

- 1.1. At month 4 the City Council's strategic aim continues to be to deliver a balanced revenue position by the end of the financial year.
- 1.2. At the Council Meeting on the 22<sup>nd</sup> February 2022 Birmingham City Council approved a net revenue budget of £759.2m for the 2022/23 financial year as shown in table 1. This report sets out the high-level financial performance against that budget at the end of Month 4, along with a review of risks and mitigating factors to ensure a balanced budget is delivered.

**Table 1 High Level 2022/23 Net Revenue Budget**

Directorate	Budget
	£m
Children & Families	329.589
City Operations	192.682
City Housing	15.369
Place, Prosperity and Sustainability	61.844
Strategy, Equalities and Partnerships	3.253
Adult Social Care	357.744
Council Management	93.212
<b>Directorate Sub Total</b>	<b>1,053.693</b>
Corporate Budgets	(294.461)
<b>Corporate Subtotal</b>	<b>(294.461)</b>
<b>City Council General Fund Budget</b>	<b>759.232</b>

- 1.3. The budget for 2022/23 when approved by full Council in February 2022 was balanced, however there was a gap for future years of £33m. An approach to balance the budget has been developed and agreed by the Corporate Leadership Team (CLT) and work is underway for this year and future years through the rolling Medium Term Financial Plan (MTFP) process. Cabinet will receive a report in October 2022 providing an update on the MTFP, and progress to close this future budget gap.
- 1.4. While we have seen other Councils failing due to poor governance and decision making, weak procurement, low levels of reserves and over borrowing, Birmingham City Council is in a strong robust position with strong financial planning processes in place. Reserves are healthy and within recommended

limits. Borrowing is not excessive and is reducing, and the Council scores well on the CIPFA Resilience Index Indicators.

- 1.5 The Council is a CIPFA 3 Star Financial Management Authority recognising the significant financial management improvements made across the organisation since 2019 and we are continuing to further improve and aim for a 4 Star rating by April 2023.
- 1.6 The City Council like all other local authorities is facing a number of financial challenges in 2022/23. The current cost of living crisis is impacting on our citizens, businesses, and the services we deliver, resulting in a greater demand for our services and reducing income generating opportunities. Examples including, rising energy costs, increases in the costs of goods and services and the impact from the war in Ukraine.
- 1.7 We continue to recognise that there are a number of risks to the balancing the budget. These risks must all be carefully gripped and managed at pace and offset by opportunities to make savings. Rigorous spend controls introduced last year remain in place to reduce and minimise costs.

## **2 Capital**

- 2.1 A capital budget of £531.7m was approved by full Council on the 22<sup>nd</sup> February 2022. Like all financial year's capital spend is weighted towards the later end of the year, and often spend will slip into the following year due to the complex nature of many of the capital projects.
- 2.2 Following slippage of £162.7m at the end of 2021/22 which was approved by Cabinet on 26<sup>th</sup> July 2022 the Capital budget for 2022/23 is now £694.4m.
- 2.3 There remain risks to delivery, particularly relating to cost pressures and material shortages for construction projects as a result of Brexit. These will be kept under review and appropriate action taken to mitigate where possible.
- 2.4 It is important to note that no financial resources will be lost if there is slippage in the programme's expenditure at the end of the financial year. The resources and planned expenditure will be "rolled forward" into future years.
- 2.5 A more detailed Capital Programme monitoring report will be provided at quarter 2.

## **3 Housing Revenue Account (HRA)**

- 3.1 The HRA Revenue budget for 2022/23 is £431.485m of which £287.738m is revenue expenditure and £143.747m is capital expenditure. Overall, the HRA spend is forecast to remain within budget this year. Any variation to this will be managed from the ring fenced HRA reserve.

## **4 Dedicated Schools Grant (DSG)**

- 4.1 The total DSG for 2022/23 is £1,374.2m before deductions. The allocation after deductions is £686.9m. This is allocated as follows: school block £377.2m, High Needs block £210.4m, Early Years block £83.0m and £16.3m Central School Services Block. It is anticipated that there will be a balanced position for the total DSG this financial year.

## **5 Borrowing**

- 5.1 Gross loan debt is currently £3,164m, compared to £3,035m at quarter 1, with no foreseen risks to the year-end projection, which remains unchanged and estimated to be £3,272m, this is below the planned level of £3,452m. The annual cost of servicing debt represents approximately 29.5% of the net revenue budget. The planned level of debt and annual cost of servicing debt currently includes over £200m borrowing for the Enterprise Zone (EZ), due to be financed from Business Rates growth within the EZ.
- 5.2 The Council's treasury investments are currently £85m, against a planned level of £40m. The Council's cash balances are no longer at elevated levels from government support for Covid and energy relief and the Council has resumed short-term borrowing this month, as per the Treasury Management Strategy.
- 5.3 We will continue to closely review interest rates and where possible lock in rates, minimising risk and over exposure.

## **6 Risks**

- 6.1 All budgets contain risks and a number of risks were identified when setting the budget (as shown in Appendix E of the Financial Plan agreed by Council on 22<sup>nd</sup> February 2022).
- 6.2 In Appendix E, after weighting the risks for probability, there was a total risk of £118m. Given that not all risks would be expected to happen at the same time, a deflator of 70% was applied, leaving a total risk of £34.5m. This is more than covered by the General Fund Balance of £38.4m and the Financial Resilience Reserve (FRR) balance of £125.5m.
- 6.3 Like quarter 1 the City Council is continuing to deal with a number of financial risks at month 4 and is undertaking further due diligence to verify and mitigate these. The new risks or risks where further information is now available are shown below. Further detail will be provided at quarter 2.

### **Children and Families**

- 6.4 **Special Educational Needs Assessment and Review Service (SENAR) Service.** As previously reported the Ofsted inspection in May 2021 reported that the SENAR service was extremely under resourced and unable to meet its

statutory responsibilities and additional funding was allocated to the service in 2021/22 and 2022/23.

- 6.5 The additional funding of £5.1m in 2021/22 and £5.3m in 2022/23 was based on the activity and backlogs of statutory tasks identified at that point, however further due diligence has identified a pressure of £4.9m.
- 6.6 The Directorate have a reserve that will be used to offset this pressure as a one off for 2022/23.
- 6.7 The service has undertaken extensive resource planning to ensure there is a sustainable structure. There will be a Cabinet report in October 2022.
- 6.8 **Children & Young People Travel Service, formerly Home to School Transport (H2ST).** Significant improvements are being made which include work that will enable financial projections to be calculated from September onwards. Additional budget has been allocated to the service for 2022/23 due to significant financial pressures incurred in 2021/22. There remains a risk of overspend this year for the service of circa £5m which will be confirmed by the end of September 2022.
- 6.9 **Birmingham Children's Trust.** Placement costs continue to represent the single biggest pressure for the Trust in 2022/23. The Trust operates CareFirst Financials for care pay, including payments to care leavers, care providers and foster carers. Based on data extracted from the CareFirst system the Trust are forecasting an in-year pressure which they are working with the City Council to manage and mitigate and a more detailed report will be provided at quarter 2 as to the analysis of care costs and the management response to this.

### **Adult Social Care**

- 6.10 **Demand for Adult Social Care** continues to remain hard to predict as the impact of the last two years of coronavirus has created the risk of a surge in numbers beyond the current high levels of referrals we are currently seeing. Prevention, Early Intervention, and hospital discharge schemes are picking up the bulk of the demand increases and the forecast is for packages of care costs to remain within the 2022/23 budget. So while pressure on adult social care services remains challenging it is currently being managed within existing budgets.

### **Housing**

- 6.11 **Temporary and Emergency Accommodation.** As reported previously demand for housing continues to increase as more citizens are struggling to manage in the current financial climate. The City Council is continuing to work at pace with citizens to prevent crisis, however based on current demand trends there is a risk that costs will exceed budget by around £5m this year. Work is underway and will continue throughout the year to manage and reduce costs

wherever possible. Further details on the action being taken will be presented in the quarter 2 report to Cabinet.

### **Corporate items**

- 6.12 **The Pay Award.** The 2022/23 budget included a 2.5% increase for pay. It is estimated that the pay award of £1,925 per full time employee that has been offered by the National Employers for Local Government Services will cost the Council general fund in the region of £14m more than the budgeted provision. This will be funded from the Financial Resilience Reserve.
- 6.13 The Housing Revenue Account, Public Health Grant and Dedicated Schools Grant will all be financially impacted by the pay award as they fund staff who will receive the pay award. The estimated total impact is £3.8m and the increased cost will need to be funded from within these grants.
- 6.14 **Energy costs.** As reported at quarter 1 energy costs are rising and are expected to be greater than budgeted for this year. Policy Contingency will be used to fund additional costs where they cannot be contained by directorates through reducing energy consumption or implementing other savings to offset these costs. We will continue to work with providers and where possible through new contract arrangements as they arise to mitigate against rising future costs.
- 6.15 **Income Collection.** Income remains a risk for many services as habits have changed following the pandemic. It is forecast that the number and value of debtors will increase as citizens and businesses struggle financially. The City Council has provision to manage bad debt and will continue to work with individuals and businesses to help them manage their debts. At this stage of the financial year it is difficult to put a financial value to this. Services including Parking and Leisure are working on income strategies to manage delivery of services with less income to ensure they remain within budget.

## **7 Potential Opportunities.**

- 7.1 Whilst we have a number of financial risks there are also opportunities to off set these risks which must continue to be maximised. It must be recognised that as detailed above in paragraph 6.2 while there are significant balances in both the Financial Resilience Reserve and General Fund Balance these are one off funding sources and use of them should be the last resort once all other mitigations have been exhausted.
- 7.2 There is currently a review of reserves and balances taking place to ensure that monies are being fully utilised for example Section 106 and Community Infrastructure Levy (CIL) and specific grants including Public Health.
- 7.3 We are returning to rigorous spend controls focusing on staffing, facilities management and procurement. We will explore opportunities to ramp up the benefit of these controls and look for opportunities to implement other spend control panels focusing on specific areas of spend.

- 7.4 The MTFP contains a number of budget savings that are currently due to be delivered in future years and we will continue to explore the opportunities to deliver future years savings sooner.
- 7.5 The City Council is implementing a number of transformation programmes under the three pillars of People, Place and Fit for Purpose Council and where safe to do so these need to be delivered faster, meaning that the financial benefits are achieved ahead of schedule.

## 8 Savings / Income Targets

- 8.1 Like previous financial years the Financial Plan for 2022/23 includes budgeted savings, these total £40.8m. In addition, there are undelivered savings from last year of £2.1m. Work must continue at pace to ensure all savings are delivered this year.
- 8.2 The individual forecasts for each savings / income target for the whole of the City Council have been RAG rated and are summarised in table 2 below.

**Table 2: Savings Risks 2022/23**

Risk Profile for Delivery	Quarter 1 (£m)	Month 4 (£m)	% of Target
Delivered	2.549	5.036	12%
Low Risk	19.260	16.773	39%
Medium Risk	8.688	9.496	22%
High Risk	12.368	11.560	27%
<b>Total</b>	<b>42.865</b>	<b>42.865</b>	<b>100%</b>

- 8.3 At this stage in the financial year, this risk profile is as expected and reflects the known challenges in delivering these targets.
- 8.4 Table 2 shows that of the £42.9m savings / income to be delivered in 2022/23, £11.6m is currently rated high risk. Savings scored as high risk are not deemed as undeliverable and work is in progress to realise these targets. This is an improvement of £0.8m since Quarter 1 due to City Operations Business as Usual initiatives, mainly allocation of workforce savings and review of managerial arrangements now being rated as medium risk. There is also an improvement of £2.5m in savings ranked as delivered due to City Housing savings related to Dispersed Rental Income now having been delivered
- 8.5 The main theme that results in savings targets being scored as high risk is the delivery of transformation dispersed savings from corporate initiatives including: Automation / Debt Recovery / Traded Services / Corporate Landlord / New Ways of Working (NWOW) / Customer Services / Workforce Transition / Procurement Savings.

- 8.6 These transformation programmes are at risk because these are corporately driven activities to release dispersed savings across services. These targets will be re-allocated to Directorates as programme work progresses.
- 8.7 Full details of these savings were presented in the quarter 1 report and full details will continue to be presented on a quarterly basis throughout the remainder of this financial year.









# Month 4 2022/23 Financial Monitoring Report – Resources Overview and Scrutiny Committee

8<sup>th</sup> September 2022



**BE BOLD BE BIRMINGHAM**

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# Financial Challenge and BCC Position

- National picture: rising inflation, economic shock from war in Ukraine, post pandemic recovery ongoing, impact of Brexit
- We have seen Councils failing – poor governance and decision making, weak procurement, low levels of reserves and over borrowing
- Birmingham is in a strong robust position – CIPFA 3 star financial management
- Have strong reserves and balances
- Level of borrowing reducing
- Focus on Value for Money and transformation to deliver best in class services
- Have a rolling budget approach in place, so risks and impacts identified early
- Not without financial challenge - we have £33m gap in our budget from next year – working to close it

# Month 4 Financial Monitoring Report

- Strategic aim to deliver a balanced revenue budget by end of year
- This is a high level report, with review of risks and mitigating factors
- Capital – risk to delivery, funding will slip so not lost
- No major issues identified in HRA, DSG or Treasury Management
- Assumed that grant supported activity will contain spending within grant
- Will continue to closely review interest rates

# High Level Risks

- **Children & Families** SENAR, Home to School Transport, and BCT placement costs
- **Adult Social Care** social care demand and inflation costs, potential shortfalls in client contributions, impact of Fair Cost of Care
- **City Operations** Parking Income shortfall, Leisure Management Fees shortfall, and inflationary pressures on electricity and fuel
- **Housing** increasing demand as citizens impacted by economic crisis
- Pay Award above budgeted 2.5% = offer is an extra £1,925 per employee = c£14m cost to General Fund. Will be funded from Financial Resilience Reserve
- General inflationary pressures – energy, contracts
- Savings that have not yet been distributed to Directorates.
- Reduced income collection due to economic crisis and the impact on citizens and businesses

# Mitigation

- Increased rigour for spend control panels
- Ongoing review of reserves
- Use of Policy Contingency budget set aside to fund electricity pressures
- Use of Financial Resilience Reserve (FRR) to fund pay inflation
- Speed up transformation programme
- Use benchmarking to identify potential efficiencies
- Seek opportunities to deliver future years savings sooner





**Birmingham City Council**  
**Resources Overview and Scrutiny Committee**  
**8 September 2022**



**Subject:** Birmingham City Council's Long-term Debt Briefing  
**Report of:** Director of Council Management  
**Report author:** Interim Head of Financial Strategy (Capital & Treasury)  
Mohammed Sajid

Does the report contain confidential or exempt information? ☐ Yes ☒ No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential: N/A

## **1 Purpose**

- 1.1 To update members on the Council's long-term debt including the Council's reasons to borrow and the strategies and policies that are in place to manage borrowing and the associated costs and risks.

## **2 Recommendations**

- 2.1 That the Resources Overview and Scrutiny Committee notes and considers the Council's reasons to borrow and the strategies and policies that are in place to manage borrowing and the associated costs and risks.

## **Appendices**

Appendix 1: Report on Birmingham City Council's Long-Term Debt

Appendix 2: Sources of external loan debt

Appendix 3: Debt repayment (MRP) policy

## **Appendix 1: Report on Birmingham City Council's Long-term Debt**

### **1. Introduction**

- 1.1 This report explains the Council's reasons to borrow and the strategies and policies that are in place to manage borrowing and the associated costs and risks. The Council's latest Capital and Treasury Management Strategies, approved as part of its Financial Plan 2022-26, provide further detail where appropriate.

### **2. Executive Summary**

- 2.1 The Council is not allowed to borrow to fund day to day revenue expenditure but can borrow to manage temporary cashflow needs and to fund long term capital expenditure.
- 2.2 According to statute and the Prudential Code, local authorities have the powers to fund capital expenditure from borrowing in order to deliver their key priorities, under the premise that borrowing remains affordable, prudent and sustainable.
- 2.3 Capital Expenditure is a necessary function of the Council delivering its priorities and borrowing is a common and accepted practice to finance such capital expenditure, along with other sources of capital financing.
- 2.4 The Council's Financial Plan 2022-26 outlines that capital expenditure financed through prudential borrowing makes up 30% of the capital programme. The Council primarily ensures that borrowing remains at an affordable and sustainable level by seeking to manage new prudential borrowing for normal service delivery, at a level which is close to the amount which it sets aside from the revenue account each year for debt repayment or Minimum Revenue Provision (MRP). This ensures that the Council's debt does not rise over the medium term.
- 2.5 Prudential borrowing can be made up of internal borrowing (using reserves and cash balances) and external borrowing (external loan debt). As at 30 June 2022, the Council had total external loan debt of £3,035m; although this number is a nominally large, it needs to be considered according to the size of the Council and the services that it provides. The Council's debt per head of population of £2,661 was 41st in the ranking out of 480 UK local authorities. When adjusted for the level of services that local authorities provide, Birmingham's debt position falls to 130th.
- 2.6 Annual financing costs as an average over the Financial Plan period 2022-2026 are likely to be around £238m or 27.3% of General Fund Net Revenue Budget. This includes both debt repayment and interest cost. The Council manages the financing costs of its external loans portfolio by maintaining a balance between lower cost short term (variable rate) borrowing and higher cost long-term (fixed rate) borrowing. The Council will also look to refinance existing loans where opportunities become available and where they provide a cost saving or a reduction in risk.

- 2.7 The Council can reduce its borrowing requirements by using capital receipts to repay debt or by amending its loan repayment provisions (MRP) in a prudent manner. Ultimately the size of the Council's future capital programme and the amount funded from borrowing will have a greater impact on its long term debt and loans portfolio.

### **3. Why Councils borrow - Capital Financing**

- 3.1 Capital investment is an important function for local authorities as it allows us to deliver key priorities such as economic regeneration, transport, housing and school improvements, and to support service transformation. Local authority capital investment programmes can be funded from government grants, revenue resources, capital receipts from asset sales and prudential borrowing.
- 3.2 It is appropriate for local authorities to borrow to fund capital expenditure. A local authority will receive long term service benefit over a number of years so it should be able to fund the capital expenditure over the number of years the benefit is received, rather than in one go. The most efficient policy is not always the quickest possible repayment period but has regard to the prudent financial planning for the authority, the flow of benefits from the capital expenditure, and other relevant factors.
- 3.3 Local authorities are not allowed to borrow to fund day to day expenditure (i.e. capital financing cannot be used to support the revenue budget). Councils can borrow to manage day to day cash flow – but this by its nature is short term so the long term debt of the council relates to its capital expenditure. Also local authorities are prevented by law from using their property as collateral for loans.

### **4. Borrowing under the Prudential Code**

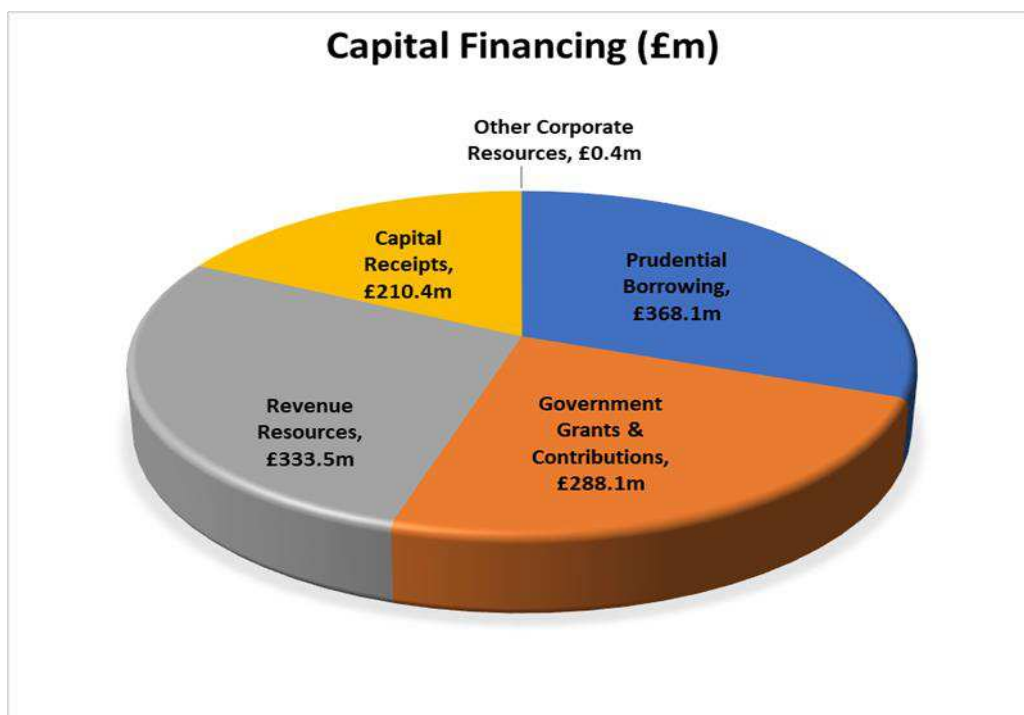
- 4.1 Under Part 1 Chapter 1 of the Local Government Act 2003 covering capital financing, a local authority may borrow for any purpose relevant to its functions or for "the prudent management of its financial affairs". The Local Government Act 2003 also requires that local authorities have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when carrying out their capital investment plans.
- 4.2 The Prudential Code has been developed as a professional code of practice to allow local authorities to determine their own capital programmes and borrowing needs so that they are affordable, prudent and sustainable.
- 4.3 Each authority must set a total borrowing limit for itself in accordance with the principles of the Prudential Code. The borrowing limit should be related to the revenue streams available to the local authority, with which it can repay the debt and must not be exceeded.

4.4 The Council's proposed limit allows for risks, uncertainties, and potential changes during the year which may need to be accommodated within this overall limit. On this basis, the Council has set its Prudential Limit for Debt at £4,500.0m for 2022/23, £4,600.0m in 2023/24, £4,700.0m in 2024/25 and £4,700.0m in 2025/26.

4.5 In December 2021, CIPFA published its revised Prudential Code where it highlighted the requirement that local authorities must not borrow to invest primarily for financial return. Any borrowing must be directly and primarily related to the functions of the authority and any financial return must be incidental to the investments primary purpose. The Council's current programme has no plans for investing primarily for yield and all investments are linked to Service objectives.

## 5. The Council's prudential borrowing strategy

5.1 The Financial Plan 2022-26 identified £1,200.4m of resources would be needed to fund the four-year capital programme as follows:



5.2 Capital expenditure financed through prudential borrowing makes up 30% of the capital programme. The Council distinguishes prudential borrowing between self-financing borrowing and borrowing that requires net budget (corporate) support. Self-financed borrowing, where the interest and repayments are intended to be supported by income generation or savings from that capital investment, amounts to 69% of the planned prudential borrowing. The remaining 31% of borrowing requires net budget support. Income or savings from capital investments are often received over a number of years and there are risks that the actual amount generated may fall below forecast.

- 5.3 To ensure borrowing remains at an affordable and sustainable level, the Council seeks over the medium term, to manage its new prudential borrowing for normal service delivery, at a level which is close to the amount which it sets aside from the revenue account each year for debt repayment or Minimum Revenue Provision (MRP). This ensures that the Council's debt does not rise over the medium term.
- 5.4 Borrowing for the Enterprise Zone (EZ) and the Perry Barr Regeneration Schemes are an exception to this policy, because this is mostly planned to be repaid from increased Business Rates and the disposal of dwellings and land respectively.
- 5.5 Prudential borrowing can be made up of internal borrowing (using reserves and cash balances) and external borrowing (external loan debt). In the past, the Council has borrowed externally to finance its prudential borrowing and is likely to continue to borrow externally for its forecast prudential borrowing needs.

## **6. Financing cost of loan debt**

- 6.1 The cost of loan debt is made up of two parts:
- The actual interest paid on debt which is determined by the interest rate set at the time the loan was taken.
  - An annual provision which the Council must, by statute, set aside from its revenue budget to repay the outstanding debt (MRP) – see Appendix 2 for the latest MRP policy.
- 6.2 MRP (or the revenue charge for loan debt repayment) is an important part of prudent debt management and ensures a prudent provision is made from revenue to repay the Council's debt each year. There are a number of methods which demonstrate prudence and the Council can choose the method that best meets the prudence requirement.
- 6.3 The budgeted interest cost in each year, as shown in the following table, reflects a view of borrowing costs and the cost of additional borrowing in the Financial Plan. Actual interest costs will be affected by:
- future interest rates,
  - the Council's cash flows,
  - the level of its revenue reserves and provisions, and
  - any debt restructuring.

**Table 1. Treasury Management Revenue Budget**

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
Net interest costs	128.809	129.839	127.411	128.043
Revenue charge for loan debt repayment	108.067	112.776	117.998	133.314
Other charges	(10.394)	4.182	2.102	1.998
Total	226.482	246.797	247.511	263.355
Met by the HRA	46.705	46.953	47.331	56.507
Met by the General Fund	179.777	199.844	200.180	206.848
Total	226.482	246.797	247.511	263.355

\*Other charges include pensions early payment discount, debt management expenses and premiums/discounts from refinancing

6.4 The Council monitors the affordability of debt through the prudential indicator of General Fund financing costs as a percentage of the net revenue budget in the Financial Plan. This is reported quarterly to Cabinet. Current forecasts, as shown in the following table, indicate annual General Fund financing costs are likely to be 27.3% of the General Fund net revenue budget as an average over the Financial Plan 4 year period 2022-2026.

**Table 2. General Fund Financing Costs**

<b>GENERAL FUND</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>
	£m	£m	£m	£m
<b>General Fund Affordability</b>				
Total General Fund financing costs	223.0	242.1	241.1	246.8
General Fund net revenue budget	759.2	879.7	919.4	940.4
General Fund financing costs (% of net revenue budget)	29.4%	27.5%	26.2%	26.2%

6.5 The Council's General Fund financing costs as a percentage of net revenue budget can be perceived to be relatively high. However, this indicator needs to be considered with the view that it:

- includes MRP as well as interest costs and so a relatively high figure may reflect a strong repayment provision being made for the Council's debt.
- is expressed as a percentage of net revenues where the Council's net revenues have been reduced significantly in recent years; so a higher figure is partly

attributable to this. This is the case in 2022/23 where the revenue budget is expected to be significantly lower than subsequent years (see previous table).

- includes financing costs for PFI, finance leases and transferred debt.
- reflects costs of significant capital investment which is benefiting the Council and its residents
- includes self-financing borrowing

## 7. The Council's external loan debt

7.1 The Council's own capital programme has been large and complex meaning it has historically used a significant amount of external loans to deliver its priorities. As at 30 June 2022, the Council had total external loan debt of £3,035m as follows:

**Table 3. External loans portfolio as at 30 June 2022**

	<b>Amount (£m)</b>	<b>Average rate (%)</b>
<u>Long term loans (by lender)</u>		
Public Works Loans Board (PWLB)	2,489.2	4.18
Loan Stock – what is this?	288.0	9.14
Fixed Bonds	85.0	3.06
LOBO loans	71.1	5.30
Other long term	2.5	1.92
Salix	0.4	0.00
<b>Total Long-term loans</b>	<b>2,936.2</b>	
<u>Short term loans</u>	99.0	0.25
<b>Total Loan debt</b>	<b>3,035.2</b>	<b>4.51</b>

7.2 From data provided to the Department for Levelling Up, Housing & Communities (DLUHC), the Council's loan debt as at 30 June 2022 was the highest for local authorities in the UK (excluding the Greater London Authority). However, the Council is also the largest local authority by some way and given the population of Birmingham, a more suitable comparison would be debt per head of population.

7.3 At 30 June 2022, Birmingham had debt per head of population of £2,661, this is 41<sup>st</sup> in the ranking for all 480 UK local authorities that reported to DLUHC. This was well below the highest debt per head for Woking Borough Council (£18,887) and Spelthorne Borough Council (£11,205).

7.4 Population on its own may not always be a fair reflection of the size of an authority, as different local authorities have different responsibilities. The Council's treasury advisor, Arlingclose, provide further analysis whereby each local authority's debt per head figure is adjusted by the proportion of gross service expenditure that the authority is responsible for. When debt per head figures are adjusted for the level of local services that authorities provide, Birmingham's debt position falls even lower to 130th out of the 480 local authorities.

## **8. Type of external loan debt**

8.1 Table 3 above shows that the Council's external loans are split between short-term loans (with maturities of less than 12 months) and long-term loans (that have maturities of greater than 1 year).

8.2 As per its Treasury Management Strategy, the Council will normally target a short term loans balance of around £500m-£600m; this is mainly because:

- Short-term borrowing rates are likely to be lower than long term borrowing rates so this reduces the financing costs for the Council.
- Short term loans provide added flexibility for the Council should it not require the level of planned borrowing and thus forgo the costs of long term loans e.g. during the Covid pandemic when the Council used internal borrowing to finance some of its capital expenditure.
- Short-term loans allow the Council to manage its operational cash flow needs.

8.3 Operating short-term loans (variable rate borrowing) in place of long-term loans (fixed rate borrowing) does include an element of refinancing risk in that rates may rise to levels when it might have been cheaper to take out long term loans earlier. However the Council ensures the proportion of debt exposed to short-term (or variable) rates does not exceed 30% of its loans portfolio so the benefit of lower short term rates should still outweigh any refinancing risks.

8.4 The Council ensures its budget provides for a potential increase in variable rates by 1% which is considered to be prudent in this context. The Council will determine its optimal split for variable and fixed rate borrowing based on cost, interest rate forecasts, debt repayment profiles and other Treasury considerations.

## **9. The Council's loan debt strategy**

9.1 The Council's loan debt strategy aims to support the delivery of the Council's key priorities. Although financing or borrowing costs associated with the Council's loan debt reflect a substantial investment in capital, the Council will ensure borrowing for the capital programme remains at an affordable and sustainable level. The Council manages its loan debt in the following ways:

- by not allowing debt to rise over the medium term
- by seeking to reduce interest costs when possible



- by seeking, prudently, to reduce debt and repayment charges when possible

## 9.2 Debt to not rise over medium term:

- As stated in para 5.3, the Council primarily does this by managing its new prudential borrowing for normal service delivery over the medium term at a level which is close to the amount which it sets aside from the revenue account each year for debt repayment (i.e. MRP). This ensures that the Council's debt does not rise over the medium term. The Council will actively aim to use non borrowing sources of financing (capital receipts, grants, revenue contributions) before it uses borrowing.
- There may be exceptions to this strategy, as described in para 5.4, and when the Council needs to temporarily increase its borrowing to fund advance pension payments for which it receives a significant discount.

## 9.3 Reducing interest costs:

### 9.3.1 Balanced loan debt portfolio

- The Council currently aims to have a balanced strategy for its loan debt (managing repayment of debt with the cost of debt). The Council has targeted a short term or variable rate loans balance (less than 12 months) of around £500m-£600m, to take advantage of the prevailing low short-term borrowing rates. The balance of the Council's borrowing needs will be met through long term borrowing (i.e. for periods of one year or more), to maintain an appropriate balance between the risks of fixed rate and variable rate borrowing.
- As part of the Treasury Management Strategy 2022-26, the Council proposed a balance between short term and long term borrowing to meet its total loan requirements as follows:

**Table 4. Short-term and Long-term borrowing requirements**

	2022/23	2023/24	2024/25	2025/26
cumulative new borrowing:	£m	£m	£m	£m
total long term loans	90.0	90.0	90.0	90.0
new short term loans	563.0	442.2	483.6	486.3
Required new/ replacement loan balance	653.0	532.2	573.6	576.3

### 9.3.2 Rescheduling loans

- Given the current relatively low interest rate environment and the desire to reduce debt costs, the Council will look to restructure existing loans, by premature repayment and replacement with new loans, where opportunities become available and where they provide a cost saving or a reduction in risk. The Council actively reviews its loan debt portfolio and the debt market for any such opportunities. The scope to reschedule loans can vary according to the type of loan.
- PWLB: The Council has less control in reducing a significant portion of its existing interest rate costs as the majority of its loan debt are historical long-term loans taken from the PWLB, fixed at the rates available at the time. To repay PWLB loans early, borrowers will incur a significant premium – therefore the Council would incur additional costs by repaying PWLB loans taken out at historically higher rates and replacing them with loans at the current lower rates.
- Loan stock: The Council's loan stock is related to the restructuring of the NEC, with £73m maturing in 2027 and £215m maturing in 2030. Restructuring this debt would only be worthwhile if the cost of the replacement loan i.e. from the PWLB, is lower than the discount rate for repayment. The loan stock is held by different bondholders so the Council could offer to buy their holdings back; however, this could be at different yields and there is no certainty the holders of loan stock would sell.
- LOBO loans: The Council has previously repaid some of its LOBO loans early, where the lender was willing to accept a lower premium for early repayment meaning savings for the Council. The remaining LOBO lenders are generally not looking to remove these loans from their portfolio, due to the higher rates they are receiving compared to the market today. However, the Council continues to liaise with its treasury advisors for any future scope to repay its LOBO loans early without financial detriment.

## 9.4 **Reducing debt and repayment charges (MRP)**

### 9.4.1 Reduce Capital programme

The Council can look to reduce the use of prudential borrowing in the future capital programme by reducing the size of the capital programme itself or the element that is funded by borrowing. Over the next 10 years, General Fund MRP is about £120m per annum. If the Council's capital programme has less than £120m prudential borrowing per annum, then its loan debt (and debt costs) should start to reduce. For example, new prudential borrowing could be restrained to £80m to £100m which would allow a progressive reduction in debt outstanding, as long as this did not impede delivery of the Council's key priorities.

#### 9.4.2 Use of capital receipts

The Council could use more of its capital receipts to repay debt and thus reduce its future MRP (which is based on its debt level). In 2022/23 the Council has planned to use £80m of capital receipts to repay debt which should allow it to make savings in borrowing costs of around £4.5m a year in the following years. Using capital receipts to repay debt does mean that these resources would not be available for the capital programme.

#### 9.4.3 Increasing MRP in the near term

The Council could increase its loan repayment provision or MRP which would have the effect of reducing its overall debt and thus financing costs in the future. However increasing MRP has the short-to-medium term effect of INCREASING the financing costs statistic (because it includes MRP costs) and costs to the annual revenue budget. Therefore less resources would be available for day to day services.

#### 9.4.4 Review the Council's MRP policy

The Council can review and revise its MRP policy where it may be possible to reduce MRP costs in the short term whilst still maintaining its statutory duty to make prudent provision. DLUHC is currently undergoing a consultation on proposed changes to capital finance regulations in respect of MRP and the Council will need to be mindful of these changes during any review.

### **10. Loan maturity profile**

- 10.1 As part of its loan debt strategy, the Council tries to ensure a consistent maturity profile for its loans due to the impact on its cash flow. Borrowing increases the cash available to the Council while debt repayment reduces cash available. The Council needs to manage its cash flow to ensure it has sufficient cash to meet its day to day commitments as well as repaying debt. Therefore it considers refinancing risk to ensure too many loans do not mature at one time which would have a detrimental effect on its cashflows. The Council monitors its maturity structure of borrowing through the following prudential indicator:

**Table 5. Maturity structure of borrowing**

	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>
	<b>Indicator</b>	<b>Indicator</b>	<b>Indicator</b>	<b>Indicator</b>
	<b>s</b>	<b>s</b>	<b>s</b>	<b>s</b>
<b>Maturity structure of borrowing</b> (lower limit and upper limit)	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>Year End</b>	<b>Year End</b>	<b>Year End</b>	<b>Year End</b>
under 12 months	16%	15%	16%	17%
12 months to within 24 months	2%	2%	2%	4%
24 months to within 5 years	7%	8%	10%	12%
5 years to within 10 years	15%	16%	15%	11%
10 years to within 20 years	22%	21%	22%	21%
20 years to within 40 years	35%	36%	35%	34%
40 years and above	2%	2%	1%	2%

## 11. HRA Borrowing strategy

- 11.1 The Housing Revenue Account (HRA) inherited a largely long-term fixed rate debt portfolio at the start of the current HRA finance system in 2012. New borrowing is currently planned through increased exposure to short term loans although long term loans will be considered when necessary. The General Fund and HRA exposures to short term and variable interest rates in accordance with the strategy are as follows:

**Table 6. Split between HRA and General Fund net loan debt**

<i>(taking account of debt maturities and proposed long term borrowing)</i>	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
<b>Housing Revenue Account</b>				
Year end net exposure to variable rates	236.6	288.1	308.5	313.4
Closing HRA net loan debt	1,129.6	1,163.2	1,180.6	1,170.6
Variable exposure % of debt	20.9%	24.8%	26.1%	26.8%
<b>General Fund</b>				
Year end net exposure to variable rates	306.4	189.1	193.9	199.8
Closing General Fund net loan debt	2,367.0	2,192.6	2,141.6	2,095.5
Variable exposure % of debt	12.9%	8.6%	9.1%	9.5%
Year end variable interest rate assumption provided for in the budget	1.00%	1.25%	1.25%	1.25%

## **12. Conclusion**

- 12.1 Historically, the Council has had a significant capital programme which has been used to deliver key priorities for its residents. As per the Prudential Code, the Council has considered it prudent to fund part of its capital programme through borrowing as this allows it to spread the cost of the capital expenditure over the number of years that the ensuing asset provides benefits.
- 12.2 The Council is mindful of the financing costs of external loan debt and the impact on its revenue budget and manages this through a wide-ranging and disciplined long-term debt strategy as part of its overall Treasury Management Strategy.
- 12.3 Loans are taken out when they are required from sources that provide the most value at the time i.e. with low risk and comparably low rates. As rate changes take place over time, long term loans taken out at historically higher rates may be perceived to provide lower value when compared to current lower rates. The Council will actively look towards restructuring or refinancing its historical loans where such opportunities provide a financial benefit or reduce risk.
- 12.4 The Council regularly reviews its capital programme and will consider reducing or amending this if in turn this reduces its borrowing needs, and as long as the delivery of the Council's key priorities are not impeded.

## Appendix 2: Sources of external loan debt

### Short term borrowing (less than 1 year in duration)

- Short term borrowing is available largely from other local authorities and are primarily arranged using money market brokers.
- The availability of loans from the local authority lending market can tighten especially at financial year end as all councils face similar cyclical cash flow issues. To mitigate such liquidity risk, the Council has a Working Capital Facility with its current bankers Barclays, should it require loans for a short period from an alternative source.
- The Council is currently exploring the possibility of taking part in Commercial paper issuance via the UK Municipal Bonds Agency (UKMBA) to meet its short-term borrowing requirements.
- Short term and variable rate exposures remain within the prudential limit set at 30% of net debt.

### Long term borrowing (more than 1 year in duration)

- The main source of long term borrowing for local authorities is the Public Works Loans Board (PWLB), managed by HM Treasury.
- At the end of November 2020, the Treasury introduced the condition that local authorities would not be able to access PWLB loans if their 3-year capital programme included capital expenditure primarily for yield. The Council's current programme has no plans for investing for yield and all investments are linked to Service objectives.
- The Council actively monitors market developments and seeks to use and develop other funding solutions if better value may be delivered. This may include other sources of long term borrowing if the terms are suitable, including public bonds and private placements, bilateral loans from banks, local authorities or others, Islamic forms of finance and sale and leaseback arrangements.
- The Council will consider the use of ESG bonds in sourcing long term borrowing, should they provide better value through lower costs and rates when compared to PWLB borrowing.

## **APPENDIX 3: DEBT REPAYMENT POLICY**

### **1. Minimum Revenue Provision Statement 2022/23**

#### **1.1. Introduction**

1.1.1. The Government's Capital Finance and Accounting Regulations require local authorities to make 'prudent annual provision' in relation to capital expenditure financed from borrowing or credit arrangements. This is known as Minimum Revenue Provision or MRP, but it is often referred in shorthand as "debt repayment". Local authorities are required to have regard to the Government's statutory guidance on MRP.

1.1.2. This policy applies to the financial year 2022/23. Any interpretation of the statutory guidance or this policy will be determined by the Section 151 Officer (currently the Director of Council Management).

#### **1.2. Principles of Debt Repayment Provision**

1.2.1. The term 'prudent annual provision' is not defined by the Regulations. However, the statutory guidance says:

*"the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant".*

The guidance does not prescribe the annual repayment profile to achieve this aim, but suggests four methods for making MRP which it considers prudent, and notes that other methods are not ruled out. The Council regards the broad aim of MRP as set out above as the primary indicator of prudent provision, whilst recognising the flexibilities which exist in determining an appropriate annual repayment profile.

1.2.2. The Council considers that the above definition of 'prudent' does not mean the quickest possible repayment period, but has regard to the prudent financial planning of the authority overall, the flow of benefits from the capital expenditure, and other relevant factors.

1.2.3. Consistent with the statutory guidance, the Council will not review the individual asset lives used for MRP as a result of any changes in the expected life of the asset or its actual write off. Some assets will last longer than their initially estimated life, and others will not; the important thing is the reasonableness of the estimate.

#### **1.3. General Fund MRP Policy: Borrowing pre 31 March 2008**

1.3.1. The Council's policy is to charge MRP on the pre-2008/09 borrowing at 2% of the balance at 31 March 2008, fixed at the same cash value so that the whole debt is repaid after 50 years.

#### **1.4. General Fund MRP Policy: Prudential Borrowing from 1 April 2008**

1.4.1. The general repayment policy for prudential borrowing from 1 April 2008 is to repay borrowing within the expected life of the asset being financed, subject to a maximum period of 50 years. This is a change from previous practice which had a maximum period of 40 years. The amended policy should better reflect the life of the assets employed and is consistent with other Councils.

1.4.2. The Council's policy is in accordance with the "Asset Life" method in the guidance. The repayment profile will follow an annuity repayment method (like many domestic mortgages) which is one of the options set out in the guidance. This is subject to the following details:

- An average asset life for each project will normally be used. This will be based on the asset life normally used for depreciation accounting purposes (recognising that MRP is estimated at the start of the project, whereas depreciation is not determined until the project has finished, so there may be estimation differences).
- There will not be separate MRP schedules for the components of a building (e.g. plant, roof etc.).
- A standard schedule of asset lives will generally be used, but where borrowing on a project exceeds £10m, expert property advice may also be taken into account.
- Asset life will be determined by the Section 151 Officer.

1.4.3. MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets where over £1m financed from borrowing is planned, where MRP may be deferred until the year after the asset becomes operational.

1.4.4. Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of the Section 151 Officer.

1.4.5. If appropriate, shorter repayment periods (i.e. less than the asset life) may be used for some or all new borrowing.

## **1.5. Housing Revenue Account MRP Policy**

1.5.1. The statutory MRP Guidance states that the duty to make MRP does not extend to cover borrowing or credit arrangements used to finance capital expenditure on HRA assets. This is because of the different financial structure of the HRA, in which depreciation charges have a similar effect to MRP. The Council's policy is that net HRA debt will reduce over the medium term, in order to deliver a debt to revenues ratio of below 2:1 by 2039/40. This reflects reductions in property numbers through Right to Buy and demolitions and will support the maintenance of a balanced and sustainable HRA Business Plan with the capacity to meet investment needs in later years. The Council will also seek to deliver a reduction in HRA debt per dwelling.



1.5.2. The annual HRA Loan Redemption to achieve the above policy is projected as follows in the HRA Business Plan:

<b>Year</b>	<b>Loan redemption £m</b>
2022/23	-
2023/24	-
2024/25	-
2025/26	10.0
2026/27	10.3
2027/28	14.2
2028/29	12.5
2029/30	11.7
2030/31	21.0
2031/32	24.9

Additional voluntary HRA debt repayment provision may be made from revenue or capital resources.

## **1.6. Concession Agreements and Finance Leases**

1.6.1. MRP in relation to concession agreements (e.g. PFI contracts) and finance leases will continue to be calculated on an asset life method for assets under contracts in place before 1 April 2018, using an annuity repayment profile, consistent with the method for prudential borrowing in paragraph 8 above. For assets under contracts entered into from 1 April 2018, the annual MRP charge will match the element of the rent/charge that goes to write down the balance sheet liability, to reflect accounting changes under IFRS16. The Section 151 Officer will determine the appropriate treatment, having regard to the MRP Guidance, in complex cases.

## **1.7. Transferred Debt**

1.7.1. Transferred Debt is debt held by another local authority whose costs are recharged to the Council (usually as a result of earlier reorganisations, such as the abolition of the former County Council). MRP in relation to Transferred Debt will be charged in line with the MRP policy for borrowings pre 31 March 2008, as described in paragraph 6, as the transferred debt relates to that period.

## **2. SPECIFIC SITUATIONS**

### **2.1. Statutory capitalisations**

2.1.1. Expenditure which does not create a fixed asset, but is statutorily capitalised, will follow the MRP treatment in the Government guidance, apart from any exceptions provided for below.

### **2.2. Cashflows**

2.2.1. Where a significant difference exists between capital expenditure accrued and the actual cashflows, MRP may be charged based on the cash expended at the previous year end, as agreed by the Section 151 Officer.

2.2.2. The reason for this is that, if expenditure has been accrued but cash payments have not yet been made, this may result in MRP being charged in the accounts to repay borrowing which has not yet been incurred.

### **2.3. Equal Pay settlements**

2.3.1. The Council has plans in place to fund Equal Pay settlement liabilities, primarily from capital receipts. However, there are risks to the timing and quantum of future capital receipts. As a risk management mechanism, and as a last resort, MRP may be reduced if there are insufficient capital receipts to fund Equal Pay settlement costs in that year. The revenue saving will then be used to meet the settlement costs.

2.3.2. Any such reduction will be made good by setting aside equivalent future capital receipts to provide for debt repayment, when there is a surplus of capital receipts available after funding Equal Pay settlements. Any such reduction in MRP will be repaid over no more than 20 years on an annuity profile, including a charge to the revenue account to the extent that capital receipts are not available.

### **2.4. Capitalised loans to others**

2.4.1. MRP on capitalised loan advances to other organisations or individuals will not be required. Instead, the capital receipts arising from the loan principal repayments will be used as provision to repay debt. Where principal repayments are not broadly spread over the life of the loan, the Section 151 Officer may determine that annual Revenue MRP must be made for reasons of prudence. Revenue MRP contributions would still be required equal to the amount of any default on the repayment of the loan advanced.

### **2.5. Enterprise Zone (EZ)**

2.5.1. Borrowing by the Council related to the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP), and which is supported by additional Business Rates from the EZ or from other GBSLEP income, will be repaid within the lifetime of the EZ or other associated income stream (or the estimated life of the assets being funded, if shorter). This was originally 2038 but has been extended to 2046. This means that the repayment period for EZ-supported borrowing will reduce each year so that all EZ debt can be repaid by 2046.

### **2.6. Voluntary repayment of debt**

2.6.1. The Council may make additional voluntary debt repayment provision from revenue or capital resources. In this case, the Section 151 Officer may make an appropriate reduction in later years' levels of MRP.

2.6.2. Where it is proposed to make a voluntary debt repayment provision in relation to prudential borrowing from 2008/09 under the asset life method, it may be necessary to decide which assets the debt repayment relates to, in order to determine the reduction in subsequent MRP. The following principles will be applied by the Section 151 Officer in reaching a prudent decision:

- where the rationale for debt repayment is based on specific assets or programmes, any debt associated with those assets or programmes will be repaid

- where the rationale for debt repayment is not based on specific assets, debt representative of the service will be repaid, with a maturity reflecting the range of associated debt outstanding

2.6.3. Subject to the above two bullet points, debt with the shortest period before repayment will not be favoured above longer MRP maturities, in the interests of prudence, to ensure that capital resources are not applied for purely short term benefits.

2.6.4. Based on this policy, the Capital Financing Requirement (CFR) will be fully repaid by no longer than 50 years after any prudential borrowing is incurred (including PFI). Existing PFI contracts will be fully repaid 40 years after the final capital expenditure under the Council's PFI contracts. On new PFI / finance lease contracts it will be repaid in line with the contractual payments as set out in paragraph 14.



# BCC Long Term Debt

## Resources Overview & Scrutiny Committee

8 September 2022



**BE BOLD BE BIRMINGHAM**

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# Why have Debt?

*Two reasons Council's borrow:*

- To pay for Capital expenditure
- To manage Cash flow in the short term
- Long term Debt relates to Capital Expenditure
- Illegal to borrow to fund day to day activities



# Financing of Capital Expenditure

- Borrowing is an accepted form of Capital financing – Prudential Code
- Matches costs to the benefits – e.g. 40 year asset be paid for over 40 years, not 1.
- Generational equity
- Revenue budget could not afford such level of investment



*Other Capital financing sources:*

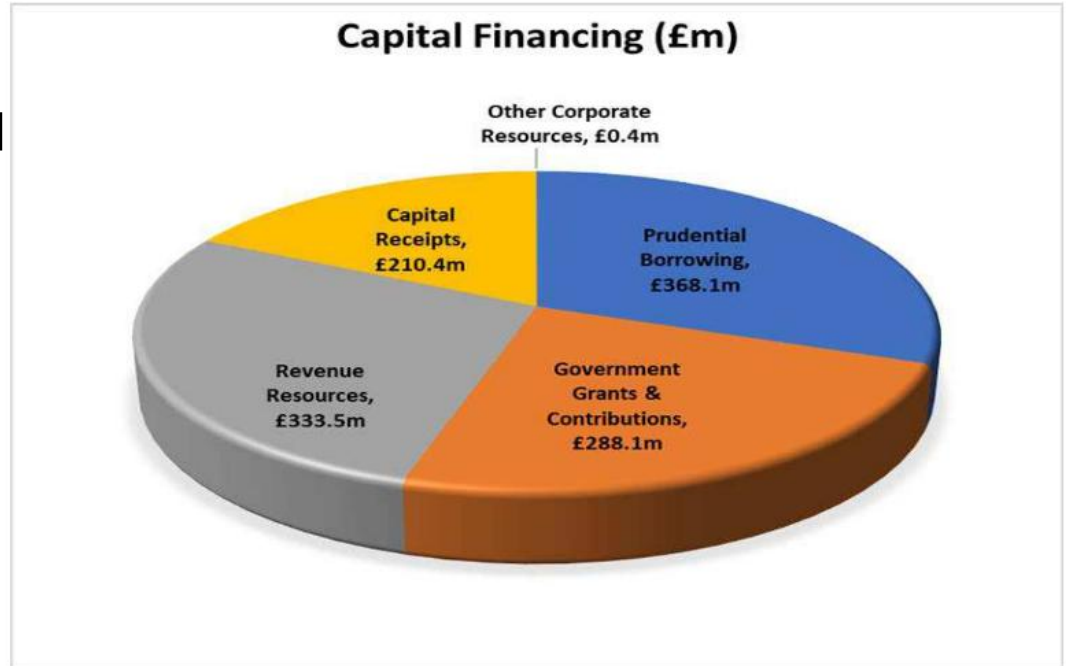
Grants (Govt, developers, donations); Capital receipts and revenue.

Debt is the sum of past borrowing yet to be repaid

# BCC Capital programme and Borrowing

Financial Plan identified  
£1,200.4m of Capital Spend  
over 2022-26

Some 30% is funded by  
borrowing –  
*and of this 2/3 is self -  
financed*





# BCC Debt statistics

As at 30 June 2022, the Council had total external loan debt of £3.035bn

Debt per head of population is £2,661: 41<sup>st</sup> in the ranking for all 480 UK local authorities. (DHULC data)

When adjusted by the proportion of gross service expenditure that the authority is responsible for, Birmingham's debt position is 130th out of the 480 local authorities. (Arlingclose)



# How we borrow

- **Internal Borrowing** : where we use our reserves set aside for other purposes – can save on borrowing costs but is usually time limited.
- **External Borrowing / loans**: borrowing from external bodies. Main sources are:

## Long term:

- PWLB,
- Financial Institutions
- Public Bond issue

## Short term:

- Other local authorities, BCC bankers working capital facility



# Cost of borrowing / Debt

- **Internal Borrowing** : opportunity cost of lost investment income. Usually lower than the cost of external borrowing
- **External Borrowing / loans**: Two parts:
  1. Interest cost
  2. Debt Repayment (Minimum Revenue Provision): whilst debt is outstanding we have a statutory duty to make a PRUDENT revenue provision to repay debt each year. Can repay / provide more if we wish!



# Budgeted Debt Costs

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
Net interest costs	128.809	129.839	127.411	128.043
Revenue charge for loan debt repayment	108.067	112.776	117.998	133.314
Other charges	(10.394)	4.182	2.102	1.998
Total	226.482	246.797	247.511	263.355
Met by the HRA	46.705	46.953	47.331	56.507
Met by the General Fund	179.777	199.844	200.180	206.848
Total	226.482	246.797	247.511	263.355

\*Other charges include pensions early payment discount, debt management expenses and premiums/discounts from refinancing



# Strategies to Reduce Debt Costs

- Note that cost is one of 3 Treasury Management risks which we need to balance: Liquidity, Security, Market (cost)

## Debt level:

- Reduce Capital programme
- Reduce future borrowing (e.g. cap on borrowing)
- Repay Debt faster via Cap receipts or increased MRP

## Reduce Debt Servicing Costs

- Balanced Loan portfolio
- Reschedule or Refinance Debt
- Reduce MRP – whilst staying prudent





# Birmingham City Council

## Report to Cabinet

Date: 6<sup>th</sup> September 2022



**Subject:** KEY DECISION PLANNED PROCUREMENT  
ACTIVITIES (OCTOBER 2022 – DECEMBER 2022)  
**Report of:** ASSISTANT DIRECTOR – PROCUREMENT  
**Relevant Cabinet Member:** Councillor Yvonne Mosquito, Finance and Resources  
**Relevant O &S Chair(s):** Councillor Akhlaq Ahmed, Chair of Resources O & S  
**Report author:** Steve Sandercock, Assistant Director, Procurement  
Email Address: [steve.sandercock@birmingham.gov.uk](mailto:steve.sandercock@birmingham.gov.uk)

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: 010453/2022		
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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential : 3. Information relating to the financial or business affairs of any particular person (including the council)		

### 1 Executive Summary

- 1.1 This report provides details of the planned procurement activity for the period October 2022 – December 2022 which are key decisions. Planned procurement activities reported previously are not repeated in this report.
- 1.2 The report enables Cabinet to identify whether any reports for procurement activities should be brought to this meeting for specific executive decision,

otherwise they will be dealt with under Chief Officer delegations up to the value of £10m, unless TUPE applies to current Council staff.

## **2 Recommendations**

- 2.1 To approve the planned procurement activities as set out in Appendix 1 and approve Chief Officer delegations, set out in the Constitution, for the subsequent decisions around procurement strategy and contract awards.

## **3 Background**

- 3.1 The report approved by Council Business Management Committee on 16 February 2016 set out the case for introducing this process.
- 3.2 At the 12<sup>th</sup> July 2022 meeting of Council changes to procurement governance were agreed which gives Chief Officers the delegated authority to approve procurement contracts up to the value of £10m for key decisions over the life of the contract. Where it is likely that the award of a contract will result in staff employed by the Council transferring to the successful contract under TUPE, the contract award decision has to be made by Cabinet.
- 3.3 In line with the Procurement and Contract Governance Rules that form part of the Council's Constitution, this report acts as the process to consult with and take soundings from Cabinet Members and the Resources Overview & Scrutiny Committee.
- 3.4 This report sets out the planned procurement activity over the next few months where the contract value is between the procurement threshold £177,897.50 (excluding VAT) and £10m (excluding VAT) for key decisions. This will give members visibility of all procurement activity within these thresholds and the opportunity to identify whether any procurement reports should be brought to Cabinet for approval even though they are below the £10m delegation threshold.
- 3.5 It should be noted that the procurement threshold has changed from £189,330 to £177,897.50 (excluding VAT) and applies from 1st January 2022 for a period of 2 years.
- 3.6 Individual procurements may be referred to Cabinet for an executive decision at the request of Cabinet, a Cabinet Member or the Chair of Resources Overview & Scrutiny Committee where there are sensitivities or requirements that necessitate a decision being made by Cabinet.
- 3.7 Procurements below £10m contract value that are not listed on this or subsequent monthly reports can only be delegated to Chief Officers if specific approval is sought from Cabinet. Procurements above £10m contract value will still require an individual report to Cabinet in order for the award decision to be delegated to Chief Officers if appropriate.
- 3.8 A briefing note with details for each item to be procured is listed in Appendix 2. The financial information for each item is detailed in Appendix 3 – Exempt Information.



## **4 Options considered and Recommended Proposal**

### **4.1 The options considered are:**

- To identify specific individual procurements as listed in appendix 1 for further consideration, along with clear reason(s) for such additional consideration, to Cabinet around the procurement strategy and contract award .
- To approve the planned procurement activities for all the projects listed in appendix 1 and approve Chief Officer delegations as set out in the Constitution, for the subsequent decisions around procurement strategy and contract awards.– this is the recommended option

## **5 Consultation / Engagement**

- 5.1 This report to Cabinet is copied to Cabinet Support Officers and to Resources Overview & Scrutiny Committee and therefore is the process for consulting with relevant cabinet and scrutiny members. At the point of submitting this report Cabinet Members/ Resources Overview & Scrutiny Committee Chair have not indicated that any of the planned procurement activity needs to be brought back to Cabinet for executive decision.

## **6 Risk Management**

- 6.1 Members should note that in respect of any procurement projects which are sought to be referred back to Cabinet for further considerations these may impact on timescales around the delivery of those projects.
- 6.2 Details of Risk Management, Community Cohesion and Equality Act requirements will be set out in the individual reports.

## **7 Compliance Issues:**

### **7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

- 7.1.1 Details of how the contracts listed in Appendix 1 and Appendix 2 support relevant Council policies, plans or strategies, will be set out in the individual reports.

### **7.2 Legal Implications**

- 7.2.1 Members are reminded that as a Local Authority the Council has specific duties under public sector procurement, specifically the Public Contract Regulations 2015.
- 7.2.2 Specific details of any implications related to public sector procurement Regulations are set out- in the individual reports appended to this report.

### **7.3 Financial Implications**

- 7.3.1 Specific details of how decisions will be carried out within existing finances and resources will be set out in the individual reports.

- 7.3.2 Any cashable savings generated as a result of the procurement exercises are detailed in Appendix 2 to the delivery of procurement related savings and be removed from Directorate where identified in addition to the existing service area savings target as set out in the Medium Term Financial Plan (MTFP) in line with the principles to treatment of identified savings against third party contracts as agreed by CLT on 24th January 2022.

#### **7.4 Procurement Implications (if required)**

- 7.4.1 As noted under the Legal Implications the Council has a duty to ensure that public sector procurement activity is in line with public sector legislation, specifically the Public Contracts Regulations 2015.
- 7.4.2 For each of the individual projects the specific procurement implications associated to the legislation are set out and detailed in the appendices

#### **7.5 Human Resources Implications (if required)**

- 7.5.1 None.

#### **7.6 Public Sector Equality Duty**

- 7.6.1 Details of Risk Management, Community Cohesion and Equality Act requirements will be set out in the individual reports which should also give consideration to application of Equality Impact Assessments in line with Council Policy

### **8 Background Documents**

- 8.1 List of Appendices accompanying this Report (if any):
- 1. Appendix 1 - Planned Procurement Activity October 2022 – December 2022
  - 2. Appendix 2 – Background Briefing Paper
  - 3. Appendix 3 – Exempt Information

## **APPENDIX 1 – PLANNED PROCUREMENT ACTIVITIES (OCTOBER 2022 – DECEMBER 2022)**

No.	Type of Report	Title of Procurement	Ref	Brief Description	Contract Duration	Directorate	Portfolio Finance and Resources Plus	Finance Officer	Contact Name	Planned CO Decision Date
1	Approval to Tender Strategy	Highways PFI Legal Advice	P0989	Specialist external advocacy, legal advice and support for resolution of settlement issues, expert advice (including technical and commercial expert advice) and contract restructuring and litigation advice in relation to potential disputes.	1 year, 8 months	City Operations	Transport	Carl Tomlinson	Domenic De Bechi / Andrea Webster	01/11/2022
2	Strategy / Award	City-Wide Electric Vehicle Charge Points	TBC	To install innovative technology such as lamp post and/or inset kerbstone for low power level residential EV charging.	up to 5 years	Planning, Transport & Sustainability	Transport	Carl Tomlinson	Sylvia Broadley / Richard Hughes	19/10/2022
3	Strategy / Award	Supply of Furniture, White Goods and Flooring	TBC	The supply and installation of Furniture, white goods, floor and window coverings in temporary accommodation properties (part of the Housing Options service) and for emergency assistance to vulnerable citizens via community support grants (part of Revenue and Benefits service).	4 years	City Housing	Housing	Andrew Healey	Jayne Baylis / Jose Vitoria	01/11/2022
4	Strategy / Award	Supply of Furniture, White Goods and Flooring (Interim Contract)	TBC	The supply and installation of Furniture, white goods, floor and window coverings in temporary accommodation properties (part of the Housing Options service) and for emergency assistance to vulnerable citizens via community support grants (part of Revenue and Benefits service).	7 months	City Housing	Housing	Andrew Healey	Jayne Baylis / Jose Vitoria	19/10/2022

## **APPENDIX 2**

### **BRIEFING NOTE ON PLANNED PROCUREMENT ACTIVITIES** **CABINET – 6<sup>th</sup> September 2022**

<b>Title of Contract</b>	<b>Highways PFI Legal Advice (P0989)</b>
<b>Contact Officers</b>	<b>Assistant Director:</b> Kevin Hicks <b>Client Officer:</b> Domenic de Bechi, PFI Contract Manager <b>Procurement Officer:</b> Andrea Webster, Sub Category Manager
Briefly describe the service required	Specialist external advocacy, legal advice and support for resolution of settlement issues, expert advice (including technical and commercial expert advice) and contract restructuring and litigation advice in relation to potential disputes.
What is the proposed procurement route?	The contract will be advertised in Find a Tender, Contracts Finder and <a href="http://www.finditinbirmingham.com">www.finditinbirmingham.com</a> , and a tender process will be commenced using the open procurement route.
What are the existing arrangements? Is there an existing contract? If so when does that expire?	There is an existing contract with DLA Piper UK LLP that will expire when the new contract commences.
Will any savings be generated?	No cashable savings will be generated by this project.
Has the In-House Preferred Test been carried out?	The In-House Preferred Test has been carried out and shows that this service cannot be undertaken in house.
How will this service assist with the Council's commitments to Route to Zero?	The use of these external resources will assist the Council in obtaining service delivery that supports Route to Zero (through maintenance of the city's roads).
Is the Council under a statutory duty to provide this service? If not, what is the justification for providing it?	The Council is under a statutory duty to maintain its public highways as Highway Authority under the Highways Act 1980. The PFI contract also supports statutory duties under the New Roads and Street Works Act 1992 and Traffic Management Act 2004. These statutory obligations are delivered via the Highway Maintenance and Management PFI Contract. Completing restructuring of the contract is essential to continuing to provide these services.
What budget is the funding from for this service?	This is funded from the Highway Maintenance and Management PFI budget and reserves.
Proposed start date and duration of the new contract	The proposed start date is 5 <sup>th</sup> December 2022 for a period of 20 months to July 2024.

<b>Title of Contract</b>	<b>City-Wide Electric Vehicle Charge Points</b>
<b>Contact Officers</b>	<b>Director / Assistant Director:</b> Ian MacLeod, Director Planning, Transport & Sustainability <b>Client Officer:</b> Sylvia Broadley, Specialist Energy Manager <b>Procurement Officer:</b> Richard Hughes, Interim Assistant Sub-category Manager
Briefly describe the service required	This procurement project is part of the delivery phase of the City-wide Electric Vehicle Charge Point (EVCP) Strategy. One or more suppliers will be contracted to install innovative technology such as lamp post and/or inset kerbstone for low power level residential EV charging.
What is the proposed procurement route?	The contract/s will be awarded via Oxford City Council's dynamic purchasing system for electric vehicle charging infrastructure. More than one contractor is likely to be awarded a contract because different areas may require different charging solutions, and it is possible that no one provider can meet all residential charging requirements.
What are the existing arrangements? Is there an existing contract? If so when does that expire?	This is a new requirement.
Will any savings be generated?	No cashable savings will be generated by this project.
Has the In-House Preferred Test been carried out?	Yes, and the test demonstrated this is not suitable to be carried out in-house as there is not the resources within the Council to provide this service.
How will this service assist with the Council's commitments to Route to Zero?	The installation of residential EV charging points is an important step in establishing a modal shift towards net zero emissions.
Is the Council under a statutory duty to provide this service? If not, what is the justification for providing it?	There is not a statutory duty to provide this service. However, the service will play a vital part in providing an innovative, carbon neutral and low emission alternative for supporting sustainable and inclusive economic growth; tackling the climate change emergency; and promoting the health and well-being of Birmingham's citizens.
What budget is the funding from for this service?	Anticipated to be funded via the OLEV grant with the contractor/s required to provide match funding up to 60% of the cost. This is subject to funding being identified and agreed.
Proposed start date and duration of the new contract	The proposed start date is 1 <sup>st</sup> November 2022 with a duration of up to 5 years.

<b>Title of Contract</b>	<b>Supply of Furniture, White Goods and Flooring</b>
<b>Contact Officers</b>	<b>Director / Assistant Director:</b> Julie Griffin, Strategic Director, City Housing <b>Client Officer:</b> Jayne Baylis – Modernisation and Strategic Manager, Ian Baker - Team Manager <b>Procurement Officer:</b> Jose Vitoria – Assistant Sub Category Manager
Briefly describe the service required	The supply and installation of Furniture, white goods, floor and window coverings in temporary accommodation properties (part of the Housing Options service) and for emergency assistance to vulnerable citizens via community support grants (part of Revenue and Benefits service) in order to meet the Local Welfare Provision Policy.
What is the proposed procurement route?	There are a number of national framework agreements available to opt into which include the Eastern Shires Purchasing Organisation (ESPO), Crown Commercial Service (CCS), Procurement for Housing (PfH), NHS Shared Business Services (SBS). It is proposed that following an options appraisal for the most suitable framework agreement to use by the Council and dependent on the framework protocol, a further competition exercise will be undertaken.
What are the existing arrangements? Is there an existing contract? If so when does that expire?	The existing agreement was awarded to Furniture Resource Centre for 4 years approved via DPR expires 10 <sup>th</sup> April 2023.
Will any savings be generated?	No cashable savings will be generated by this project.
Has the In-House Preferred Test been carried out?	Yes, and the test demonstrated this is not suitable to be carried out in-house as there is not the resources within the Council to provide this service.
How will this service assist with the Council's commitments to Route to Zero?	Tenderers will be required to demonstrate how their proposed solution will assist in reducing their carbon footprint in their submission to be evaluated as part of the tender process.
Is the Council under a statutory duty to provide this service? If not, what is the justification for providing it?	<p>There is not a statutory duty to furnish temporary accommodation, However, the service has a legal duty - Section 188 of the Housing Act 1996 to provide interim accommodation to citizens making a homeless application that are destitute.</p> <p>The Housing Reduction Act 2017 further requires that temporary accommodation is offered as relief and prevention provision to vulnerable households who are potentially homeless or in housing need. The accommodation must be 'suitable' and the Council deem it necessary to furnish accommodation limiting the opportunity for citizens claiming 'unsuitability' of accommodation that can incur financial penalties on the authority.</p> <p>The Council has power to administer local welfare provision in accordance with the general power of competence in Section 1 Localism Act 2011 and the Welfare Reform Act 2012.</p>
What budget is the funding from for this service?	This is funded from the Housing Revenue budgets: <ul style="list-style-type: none"> <li>• Homeless Centres – B1-AV00C-4A0A-E00-JZZZZZ-TV37J-JZZZ-JXXX</li> <li>• Dispersed – B1-AV00C-4A0A-E00-JZZZZZ-TV37V-JZZZ-JXXX</li> <li>• Benefit Service City Council's General fund</li> <li>• Local Welfare Provision - AV0G0 5A24 E00 TV569</li> </ul>
Proposed start date and duration of the new contract	The proposed start date is 11 <sup>th</sup> April 2023 for a period of 4 years.

<b>Title of Contract</b>	<b>Supply of Furniture, White Goods and Flooring (Interim Contract)</b>
<b>Contact Officers</b>	<b>Director / Assistant Director:</b> Julie Griffin, Strategic Director, City Housing <b>Client Officer:</b> Jayne Baylis – Modernisation And Strategic Manager, Ian Baker - Team Manager <b>Procurement Officer:</b> Jose Vitoria – Assistant Sub Category Manager
Briefly describe the service required	The Council may require an interim contract for the supply and installation of Furniture, white goods, floor and window coverings in temporary accommodation properties (part of the Housing Options service) and for emergency assistance to vulnerable citizens via community support grants (part of Revenue and Benefits service) in order to meet the Local Welfare Provision Policy.
What is the proposed procurement route?	There are a number of national framework agreements available to opt into which include the Eastern Shires Purchasing Organisation (ESPO), Crown Commercial Service (CCS), Procurement for Housing (PfH), NHS Shared Business Services (SBS). It is proposed that following an options appraisal for the most suitable framework agreement to use by the Council and dependent on the framework protocol, a call-off contract is awarded to the most economically advantageous supplier following a desktop evaluation.
What are the existing arrangements? Is there an existing contract? If so when does that expire?	The existing agreement was awarded to Furniture Resource Centre for 4 years approved via DPR expires 10 <sup>th</sup> April 2023.
Will any savings be generated?	No cashable savings will be generated by this project.
Has the In-House Preferred Test been carried out?	Yes, and the test demonstrated this is not suitable to be carried out in-house as there is not the resources within the Council to provide this service.
How will this service assist with the Council's commitments to Route to Zero?	Tenderers will be required to demonstrate how their proposed solution will assist in reducing their carbon footprint in their submission to be evaluated as part of the tender process.
Is the Council under a statutory duty to provide this service? If not, what is the justification for providing it?	<p>There is not a statutory duty to furnish temporary accommodation, However, the service has a legal duty - Section 188 of the Housing Act 1996 to provide interim accommodation to citizens making a homeless application that are destitute.</p> <p>The Housing Reduction Act 2017 further requires that temporary accommodation is offered as relief and prevention provision to vulnerable households who are potentially homeless or in housing need. The accommodation must be 'suitable' and the Council deem it necessary to furnish accommodation limiting the opportunity for citizens claiming 'unsuitability' of accommodation that can incur financial penalties on the authority. The Council has power to administer local welfare provision in accordance with the general power of competence in Section 1 Localism Act 2011 and the Welfare Reform Act 2012.</p>
What budget is the funding from for this service?	This is funded from the Housing Revenue budgets: <ul style="list-style-type: none"> <li>Homeless Centres – B1-AV00C-4A0A-E00-JZZZZZ-TV37J-JZZZ-JXXX</li> <li>Dispersed – B1-AV00C-4A0A-E00-JZZZZZ-TV37V-JZZZ-JXXX</li> <li>Benefit Service City Council's General fund</li> <li>Local Welfare Provision - AV0G0 5A24 E00 TV569</li> </ul>
Proposed start date and duration of the new contract	The proposed start date October 2022 for a period of 7 months.





# Birmingham City Council

## Report to Cabinet

Date: 6<sup>th</sup> September 2022



**Subject:** NON-KEY DECISION PLANNED PROCUREMENT  
ACTIVITIES (OCTOBER 2022 – DECEMBER 2022)  
**Report of:** ASSISTANT DIRECTOR – PROCUREMENT  
**Relevant Cabinet Member:** Councillor Yvonne Mosquito, Finance and Resources  
**Relevant O &S Chair(s):** Councillor Akhlaq Ahmed, Chair of Resources O & S  
**Report author:** Steve Sandercock, Assistant Director, Procurement  
Email Address: [steve.sandercock@birmingham.gov.uk](mailto:steve.sandercock@birmingham.gov.uk)

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 type="checkbox"/> Yes	<input checked="" 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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential : 3. Information relating to the financial or business affairs of any particular person (including the council)		

### 1 Executive Summary

- 1.1 This report provides details of the planned procurement activity for the period October 2022 – December 2022 which are not key decisions. Planned procurement activities reported previously are not repeated in this report.
- 1.2 The report enables Cabinet to identify whether any reports for procurement activities should be brought to this meeting for specific executive decision,

otherwise they will be dealt with under Chief Officer delegations up to the value of £500,000, unless TUPE applies to current Council staff.

## **2 Recommendations**

- 2.1 To note the planned procurement activities as set out in Appendix 1 and Chief Officer delegations, set out in the Constitution, for the subsequent decisions around procurement strategy and contract awards.

## **3 Background**

- 3.1 The report approved by Council Business Management Committee on 16 February 2016 set out the case for introducing this process.
- 3.2 At the 12<sup>th</sup> July 2022 meeting of Council changes to procurement governance were agreed which gives Chief Officers the delegated authority to approve procurement contracts up to the value of £500,000 for non-key decisions over the life of the contract. Where it is likely that the award of a contract will result in staff employed by the Council transferring to the successful contract under TUPE, the contract award decision has to be made by Cabinet.
- 3.3 In line with the Procurement and Contract Governance Rules that form part of the Council's Constitution, this report acts as the process to consult with and take soundings from Cabinet Members and the Resources Overview & Scrutiny Committee.
- 3.4 This report sets out the planned procurement activity over the next few months where the contract value is between the procurement threshold £177,897.50 (excluding VAT) and £500,000 (excluding VAT) for non-key decisions. This will give members visibility of all procurement activity within these thresholds and the opportunity to identify whether any procurement reports should be brought to Cabinet for approval even though they are below the £10m delegation threshold.
- 3.5 It should be noted that the procurement threshold has changed from £189,330 to £177,897.50 (excluding VAT) and applies from 1st January 2022 for a period of 2 years.
- 3.6 Individual procurements may be referred to Cabinet for an executive decision at the request of Cabinet, a Cabinet Member or the Chair of Resources Overview & Scrutiny Committee where there are sensitivities or requirements that necessitate a decision being made by Cabinet.
- 3.7 Procurements below £500,000 contract value that are not listed on this or subsequent monthly reports can only be delegated to Chief Officers if specific approval is sought from Cabinet. Procurements above £10m contract value will still require an individual report to Cabinet in order for the award decision to be delegated to Chief Officers if appropriate.
- 3.8 A briefing note with details for each item to be procured is listed in Appendix 2. The financial information for each item is detailed in Appendix 3 – Exempt Information.

## **4 Options considered and Recommended Proposal**

### **4.1 The options considered are:**

- To identify specific individual procurements as listed in appendix 1 for further consideration, along with clear reason(s) for such additional consideration, to Cabinet around the procurement strategy and contract award.
- To note the planned procurement activities for all the projects listed in appendix 1 and the Chief Officer delegations as set out in the Constitution, for the subsequent decisions around procurement strategy and contract awards.– this is the recommended option.

## **5 Consultation / Engagement**

### **5.1 This report to Cabinet is copied to Cabinet Support Officers and to Resources Overview & Scrutiny Committee and therefore is the process for consulting with relevant cabinet and scrutiny members. At the point of submitting this report Cabinet Members/ Resources Overview & Scrutiny Committee Chair have not indicated that any of the planned procurement activity needs to be brought back to Cabinet for executive decision.**

## **6 Risk Management**

### **6.1 Members should note that in respect of any procurement projects which are sought to be referred back to Cabinet for further considerations these may impact on timescales around the delivery of those projects.**

### **6.2 Details of Risk Management, Community Cohesion and Equality Act requirements will be set out in the individual reports.**

## **7 Compliance Issues:**

### **7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**

#### **7.1.1 Details of how the contracts listed in Appendix 1 and Appendix 2 support relevant Council policies, plans or strategies, will be set out in the individual reports.**

### **7.2 Legal Implications**

#### **7.2.1 Members are reminded that as a Local Authority the Council has specific duties under public sector procurement, specifically the Public Contract Regulations 2015.**

#### **7.2.2 Specific details of any implications related to public sector procurement Regulations are set out- in the individual reports appended to this report.**

### **7.3 Financial Implications**

- 7.3.1 Specific details of how decisions will be carried out within existing finances and resources will be set out in the individual reports.
- 7.3.2 Any cashable savings generated as a result of the procurement exercises are detailed in Appendix 2 to the delivery of procurement related savings and be removed from Directorate where identified in addition to the existing service area savings target as set out in the Medium Term Financial Plan (MTFP) in line with the principles to treatment of identified savings against third party contracts as agreed by CLT on 24th January 2022.

### **7.4 Procurement Implications (if required)**

- 7.4.1 As noted under the Legal Implications the Council has a duty to ensure that public sector procurement activity is in line with public sector legislation, specifically the Public Contracts Regulations 2015.
- 7.4.2 For each of the individual projects the specific procurement implications associated to the legislation are set out and detailed in the appendices

### **7.5 Human Resources Implications (if required)**

- 7.5.1 None.

### **7.6 Public Sector Equality Duty**

- 7.6.1 Details of Risk Management, Community Cohesion and Equality Act requirements will be set out in the individual reports which should also give consideration to application of Equality Impact Assessments in line with Council Policy

## **8 Background Documents**

- 8.1 List of Appendices accompanying this Report (if any):
- 1. Appendix 1 - Planned Procurement Activity October 2022 – December 2022
  - 2. Appendix 2 – Background Briefing Paper
  - 3. Appendix 3 – Exempt Information

## **APPENDIX 1 – PLANNED PROCUREMENT ACTIVITIES (OCTOBER 2022 – DECEMBER 2022)**

No.	Type of Report	Title of Procurement	Ref	Brief Description	Contract Duration	Directorate	Portfolio Finance and Resources Plus	Finance Officer	Contact Name	Planned CO Decision Date
1	Approval to Tender Strategy	Technology Enabled Care (TEC) Support Service Specification	TBC	The aim of the procurement is for a one single, consolidated learning management system that provides a comprehensive learning offer to its employees whilst also having the ability to trade the same offer with a level of reporting to an external audience.	1 year, 6 months	Adult Social Care	Health and Social Care	Andrew Healey	Julie Harrison / Marie Kennedy	01/11/2022
2	Strategy / Award	Cleaning and Pest Control Services Library of Birmingham	TBC	To provide all aspects of cleaning to the Library of Birmingham including flooring, external and internal glazing, waste and graffiti removal, toilet refreshes both back of house and front of house in a 35000 m2 public library.	1 year	Education and Skills	Education, Skills and Culture	Clare Sandland	Dawn Beaumont / Jose Vitoria	19/10/2022

## APPENDIX 2

### BRIEFING NOTE ON PLANNED PROCUREMENT ACTIVITIES CABINET – 6<sup>th</sup> September 2022

Title of Contract	Technology Enabled Care (TEC) Support Service Specification
Director / Assistant Director	<b>Director:</b> Graeme Betts, Corporate Director - Adult Social Care <b>Client Officer:</b> Michael Walsh and Julie Harrison, Commissioning – Adult Social Care <b>Procurement Officer:</b> Marie Kennedy, Sub Category Manager
Briefly describe the service required	<p>To support the creation and development of a transformational TEC service for Birmingham. The service required will involve working closely with Council colleagues and experts by experience and includes revising the TEC commissioning strategy, undertaking market engagement and the creation of a robust service specification to share with the market to procure a transformational TEC service for Birmingham.</p> <p>The appropriate use of TEC can positively change the way services are provided offering greater choice to the person, improving their ability to live independently at home and by meeting their agreed outcomes and improving confidence, whilst also providing assurance to their family and unpaid carer that they are living well.</p>
What is the proposed procurement route?	A procurement process will be undertaken advertised on Find a Tender, Contracts Finder and <a href="http://www.finditinbirmingham.com">www.finditinbirmingham.com</a>
What are the existing arrangements? Is there an existing contract? If so when does that expire?	This is a new requirement.
Will any savings be generated?	<p>Changes can be realised in the way care plans are provided to meet the needs of the person by reducing the need for more formal care plans or services, such as residential care, which could generate savings.</p> <p>Other Councils (Hampshire, Suffolk and Dorset) have identified savings by introducing a transformed TEC service. However, it is important to note the key driver for TEC is to improve outcomes for our citizens and enable them to thrive.</p>
Has the In-House Preferred Test been carried out?	Yes, however there is a very small TEC team in ASC and this team is focused on the current TEC delivery. The introduction of much needed additional skills, knowledge, ability to add value and provide much needed capacity around the use of technology enabled care across the UK would be really beneficial in ensuring a transformational TEC service is procured for Birmingham.
How will this service assist with the Council's commitments to Route to Zero?	TEC can enable remote monitoring in a person's home and therefore reduce the number of journeys to a person's property as dashboards of activity can be reviewed by both the practitioner and their family and some systems can also provide two-way communication reducing the need to visit, if this is not required.
Is the Council under a statutory duty to provide this service? If not, what is the justification for providing it?	The provision of the council to undertake assessed care plans is a statutory requirement. The introduction of TEC can change the way we currently provide these care plans and can enable people to remain independent at home with the right support, for as long as possible. It is widely known that by enabling the citizen to live in their own home has a positive impact both on their outcomes and can alter the services that they require to ensure that they are adequately supported and live well.

What budget is the funding from for this service?	This is funded from Better Care Transformation Fund.
Proposed start date and duration of the new contract	The proposed start date is November 2022 for a period of 1 year, plus the option to extend for a further year, based on the availability of funding and innovative performance during the first year.

<b>Title of Contract</b>	<b>P1092 - Cleaning and Pest Control Services Library of Birmingham</b>
<b>Contact Officers</b>	<b>Director / Assistant Director:</b> Kate Reynolds, Assistant Director Lifelong Learning & Employability <b>Client Officer:</b> Dawn Beaumont, Head of Library Services <b>Procurement Officer:</b> Jose Vitoria, Assistant Sub Category Manager
Briefly describe the service required	<p>Provision of Cleaning and Pest Control service at the Library of Birmingham. The contract will cover all aspects of cleaning to the Library of Birmingham including flooring, external and internal glazing, waste and graffiti removal, toilet refreshes both back of house and front of house in a 35000 m2 public library. To provide a day time janitor service to refresh and replenish consumables in toilets throughout the day. To ensure cleaning support is in place for Gala Dinners run in the evenings. Cleaning to encompass all deep cleans. To also ensure we have a comprehensive pest control service to avoid insects damaging rare books in the archives stores, rodents are eliminated from the premises and herring gulls are not nesting on the rooves or harassing visitors via use of a hawking service.</p> <p>Atlas FM Ltd has built over the years a wealth of knowledge and experience of the cleaning and pest control requirements of the Library of Birmingham and the intricacies of that e.g. supporting Gala Dinners, Conferences and other specialist events such as Exhibitions. They are a local employer in Birmingham that use local supply chains. They have demonstrated previously to the Council that they have a culture of social value/community and equalities including that of having a local employment and apprenticeships policy to ensure they give back to the community of Birmingham.</p>
What is the proposed procurement route?	There are a number of national framework agreements available to opt into which include the Eastern Shires Purchasing Organisation (ESPO), Crown Commercial Service (CCS), Yorkshire Purchasing Organisation (YPO). It is proposed that following an options appraisal for the most suitable framework agreement to use by the Council and dependent on the framework protocol, a call-off contract is awarded to the incumbent provider (Atlas Contractors Ltd) following a desktop evaluation.
What are the existing arrangements? Is there an existing contract? If so when does that expire?	<p>The original Cleaning Contract was awarded to Emprise Ltd on 1 May 2013 for a period of 3 years with an option to extend for up to a further two years. Emprise Ltd became part of Atlas FM and the contract has been extended whilst various issues including Covid 19 have hampered an exercise to go back out to market.</p> <p>A mini competition was run via the CCS Framework in July 2021 with a supplier being identified. However, Finance did not support that appointment due to insufficient Library budget available to cover the entire of the 4-year contract.</p>

	The Library of Birmingham now wishes to appoint a cleaning and pest control provider as a result for an interim 12-month period via a direct call-off, bringing this contract into compliance, whilst the appointment of a provider on a longer-term basis and the finances to support that are resolved through the Council's Governance procedures.
Will any savings be generated?	There are no savings generated from this contract.
Has the In-House Preferred Test been carried out?	Yes, and the test demonstrated this is not suitable to be carried out in-house as there is not the resources within the Council to provide this service.
How will this service assist with the Council's commitments to Route to Zero?	The Library of Birmingham has a BREEAM excellent rating and our cleaning and pest control provider looks for efficiencies to reduce single use plastics consumption. The provider uses sustainable products that are environmentally friendly. The provider uses cleaning methods and equipment that are energy efficient. LoB and The REP both use energy from the CHP scheme.
Is the Council under a statutory duty to provide this service? If not, what is the justification for providing it?	The Council's powers to provide a library service are contained in sections 7 and 12 of the Public Libraries and Museums Act 1964. Section 144 of the Local Government Act 1972 provides a power for the Council to encourage visitors to the Library of Birmingham and provide conference and other facilities.
What budget is the funding from for this service?	The cost of this contract will be met from the Library of Birmingham cleaning and pest control budget.
Proposed start date and duration of the new contract	The proposed start date is 1 <sup>st</sup> November 2022 for a period of 1 year.





## Resources O&S Committee: Work Programme 2022/23

<b>Chair</b>	Councillor Akhlaq Ahmed
<b>Deputy Chair</b>	Councillor Bushra Bi
<b>Committee Members:</b>	Councillors Meirion Jenkins, Rashad Mahmood, Hendrina Quinnen, Sybil Spence, Paul Tilsley and Ken Wood
<b>Committee Support:</b>	Senior Overview and Scrutiny Manager: Fiona Bottrill (07395 884487) Scrutiny Officer: Jayne Bowles (303 4810) Committee Manager: Mandeep Marwaha (303 5950)

### 1 Introduction

- 1.1 The remit of the Resources O&S Committee is 'to fulfil the functions of an Overview and Scrutiny Committee as they relate to any policies, services and activities concerning finance (including strategic finance, budget setting and financial monitoring); revenues and benefits; treasury management; council land use and property assets; human resources; contracting, commissioning and commercialisation'.
- 1.2 This report provides details of the proposed scrutiny work programme for 2022/23.

### 2 Recommendation

- 2.1 That the Committee considers its work programme, attached at Appendix 1, and considers whether any amendments are required.

### 3 Background

- 3.1 *"Scrutiny is based on the principle that someone who makes a decision...should not be the only one to review or challenge it. Overview is founded on the belief that an open, inclusive, member-led approach to policy review...results in better policies in the long run."* (Jessica Crowe, former Executive Director, Centre for Governance and Scrutiny).
- 3.2 Developing an effective work programme is the bedrock of an effective scrutiny function. Done well, it can help lay the foundations for targeted, inclusive and timely work on issues of local importance, where scrutiny can add value. Done poorly, scrutiny can end up wasting time and resources on issues where the impact of any scrutiny work done is likely to be minimal.
- 3.3 As a result, the careful selection and prioritisation of work is essential if the scrutiny function is to be successful, add value and retain credibility.



## 4 Work Programme

- 4.1 Appendix 1 sets out the future work programme for this Committee. This provides information on the aims and objectives, together with lead officers and witnesses, for each item. The attached work programme also includes items to be programmed where dates are still to be confirmed, and any outstanding items including the tracking of previous recommendations.

## 5 Other Meetings

- 5.1 There are no other meetings scheduled at this time.

### Call in Meetings:

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*None scheduled*

### Petitions

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*None scheduled*

### Councillor Call for Action requests

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*None scheduled*

It is suggested that the Committee approves Thursday at 2.00pm as a suitable day and time each week for any additional meetings required to consider 'requests for call in' which may be lodged in respect of Executive decisions

## 6 Forward Plan for Cabinet Decisions

- 6.1 Since the implementation of the Local Government Act and the introduction of the Forward Plan, scrutiny members have found the Plan to be a useful tool in identifying potential agenda items.
- 6.2 The following decisions, extracted from the CMIS Forward Plan of Decisions, are likely to be relevant to the Resources O&S Committee's remit. The Panel may wish to consider whether any of these issues require further investigation or monitoring via scrutiny. The Forward Plan can be viewed in full via Forward Plans ([cmis.uk.com](https://cmis.uk.com)).

ID Number	Title	Portfolio	Proposed Date of Decision
010453/2022	Key Decision Planned Procurement Activities (October 2022-December 2022)	Finance and Resources	06 Sept 22
007538/2020	Disposal of Surplus Properties	Leader	06 Sept 22



010280/2022	Introduction of Car Parking Charges across selected BCC Parks	Environment	06 Sep 22
010450/2022	Birmingham Carers Hub: Commissioning Plans and Procurement Strategy for Adult Carer Services	Health and Social Care	06 Sep 22
010142/2022	Medium Term Financial Plan (MTFP) Refresh	n/a	11 Oct 22
010454/2022	Sexual Health Services Commissioning and Procurement Plan	Health and Social Care	11 Oct 22
007349/2020	Waste Vehicle Replacement Programme	OLD – Street Scene and Parks	11 Oct 22
010138/2022	Financial Monitoring Report Quarter 2 2022/23	n/a	08 Nov 22
010196/2022	Housing Repairs, Maintenance and Investment 2024	Housing and Homelessness	08 Nov 22
010421/2022	Highways Maintenance and Management PFI Contract (A)	Transport	08 Nov 22
010414	Highways Maintenance and Management PFI Contract (B)	Transport	17 Jan 23
009663/2022	Promotion of Council Owned Land within Bromsgrove	Leader	13 Dec 22
010445/2023	Council Tax Tax-base for 2023/24	Finance and Resources	17 Jan 23
010446/2023	Business Rates Income 2023/24	n/a	17 Jan 23
010139/2023	Financial Monitoring Report Quarter 3 2022/23	Finance and Resources	14 Feb 23

## 7 Legal Implications

7.1 There are no immediate legal implications arising from this report.

## 8 Financial Implications

8.1 There are no financial implications arising from the recommendations set out in this report.

## 9 Public Sector Equality Duty

9.1 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;



- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

9.2 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.

9.3 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.

## 10 Use of Appendices

10.1 Appendix 1 – Work Programme for 2022/2023

## APPENDIX 1

### RESOURCES OVERVIEW AND SCRUTINY COMMITTEE 2022-23 WORK PROGRAMME

Date of Meeting: Thursday 28<sup>th</sup> July 2022

Item/ Topic	Type of Scrutiny	Aims and Objectives	Lead Officer	Witnesses	Visits	Additional Information (Including joint working / links with other O&S Committees)
Financial Monitoring Q1 2022/23	Monitoring Report	Scrutiny of current financial position	Rebecca Hellard, Director of Council Management	Rebecca Hellard, Director of Council Management Sara Pitt, Director of Finance	None Required	
Planned Procurement Activities Report	Standing Item	To note the Cabinet report (considered on 26 July) on planned procurement activity.	Steve Sandercock, Assistant Director, Procurement	Steve Sandercock, Assistant Director, Procurement	None Required	
Work Programme Development	Decision	Approve work programme for 2022-23	Fiona Bottrill, Senior Overview and Scrutiny Manager	None	None Required	

Final Deadline: Tuesday 19<sup>th</sup> July 2022

Publication: Wednesday 20<sup>th</sup> July 2022

**Date of Meeting: Thursday 8<sup>th</sup> September 2022**

<b>Item/ Topic</b>	<b>Type</b>	<b>Aims and Objectives</b>	<b>Lead Officer</b>	<b>Witnesses</b>	<b>Visits</b>	<b>Additional Information</b>
Cabinet Member for Finance and Resources	Update report	Provide a summary of Cabinet Member priorities for 2022-23, and identifying opportunities for O&S to add value	Jon Lawton, Cabinet Support Officer	Councillor Yvonne Mosquito, Cabinet Member for Finance and Resources	None Required	
Financial Monitoring 2022/23	Monitoring Report	Scrutiny of current financial position	Rebecca Hellard, Director of Council Management	Rebecca Hellard, Director of Council Management Sara Pitt, Director of Finance	None Required	
Long Term Debt Strategy	Update report	To inform members of the Council's strategy to deal with long term debt	Rebecca Hellard, Director of Council Management	Mohammed Sajid, Interim Head of Financial Strategy	None Required	
Planned Procurement Activities Report	Standing Item	To note the latest Cabinet report on planned procurement activity.	Steve Sandercock, Assistant Director, Procurement	Steve Sandercock, Assistant Director, Procurement	None Required	
Work Programme Development	Decision	Approve work programme for 2022-23	Fiona Bottrill, Senior Overview and Scrutiny Manager	None	None Required	

**Final Deadline: Tuesday 30<sup>th</sup> August 2022**

**Publication: Wednesday 31<sup>st</sup> August 2022**

**Date of Meeting: Thursday 6<sup>th</sup> October 2022**

<b>Item/ Topic</b>	<b>Type</b>	<b>Aims and Objectives</b>	<b>Lead Officer</b>	<b>Witnesses</b>	<b>Visits</b>	<b>Additional Information</b>
Financial Monitoring 2022/23	Monitoring Report	Scrutiny of current financial position	Rebecca Hellard, Director of Council Management	Rebecca Hellard, Director of Council Management Sara Pitt, Director of Finance	None Required	
Implementation of Oracle	Update Report	To inform members of the implementation of the Oracle system	Rebecca Hellard, Director of Council Management	Rebecca Hellard, Director of Council Management James Couper, ERP Programme Director	None Required	
Progress Report on Implementation: Procurement Governance Arrangements	Tracking Report	To monitor progress on delivery of the recommendations	Steve Sandercock, Assistant Director, Procurement	Steve Sandercock, Assistant Director, Procurement	None Required	
Planned Procurement Activities Report	Standing Item	To note the latest Cabinet report on planned procurement activity.	Steve Sandercock, Assistant Director, Procurement	Steve Sandercock, Assistant Director, Procurement	None Required	
Work Programme Development	Decision	Approve work programme for 2022-23	Fiona Bottrill, Senior Overview and Scrutiny Manager	None	None Required	

**Final Deadline: Tuesday 27<sup>th</sup> September 2022**

**Publication: Wednesday 28<sup>th</sup> September 2022**

**Date of Meeting: Thursday 17<sup>th</sup> November 2022**

Item/ Topic	Type	Aims and Objectives	Lead Officer	Witnesses	Visits	Additional Information
Progress Report on Implementation: Council-owned Assets	Tracking Report	To monitor progress on delivery of the recommendations	Rebecca Grant, Cabinet Support Officer	Councillor Ian Ward, Leader Kathryn James, Assistant Director, Inclusive Growth	None Required	
Cabinet Member for Social Justice, Community Safety and Equalities	Update Report	Provide a summary of Cabinet Member priorities for 2022-23, and identifying opportunities for O&S to add value	Marcia Wynter, Cabinet Support Officer	Councillor John Cotton, Cabinet Member for Social Justice, Community Safety and Equalities	None Required	
Financial Monitoring 2022/23	Monitoring report	Scrutiny of current financial situation	Rebecca Hellard, Director of Council Management	Rebecca Hellard, Director of Council Management Sara Pitt, Director of Finance	None Required	
Planned Procurement Activities Report	Standing Item	To note the latest Cabinet report on planned procurement activity.	Steve Sandercock, Assistant Director, Procurement	Steve Sandercock, Assistant Director, Procurement	None Required	
Work Programme Development	Decision	Approve work programme for 2022-23	Fiona Bottrill, Senior Overview and Scrutiny Manager	None	None Required	

**Final Deadline: Tuesday 8<sup>th</sup> November 2022**

**Publication: Wednesday 9<sup>th</sup> November 2022**



**Date of Meeting: Thursday 22<sup>nd</sup> December 2022**

Item/ Topic	Type	Aims and Objectives	Lead Officer	Witnesses	Visits	Additional Information
Financial Monitoring 2022/23	Monitoring report	Scrutiny of current financial position	Rebecca Hellard, Director of Council Management	Rebecca Hellard, Director of Council Management Sara Pitt, Director of Finance	None Required	
Planned Procurement Activities Report	Standing Item	To note the latest Cabinet report on planned procurement activity.	Steve Sandercock, Assistant Director, Procurement	Steve Sandercock, Assistant Director, Procurement	None Required	
Work Programme Development	Decision	Approve work programme for 2022-23	Fiona Bottrill, Senior Overview and Scrutiny Manager	None	None Required	

**Final Deadline: Tuesday 13<sup>th</sup> December 2022**

**Publication: Wednesday 14<sup>th</sup> December 2022**

**Date of Meeting: Thursday 19<sup>th</sup> January 2023**

Item/ Topic	Type	Aims and Objectives	Lead Officer	Witnesses	Visits	Additional Information
Financial Monitoring 2022/23	Monitoring report	Scrutiny of current financial position	Rebecca Hellard, Director of Council Management	Rebecca Hellard, Director of Council Management Sara Pitt, Director of Finance	None Required	
Budget Scrutiny	Consultation	Scrutiny to respond to Budget Consultation	Rebecca Hellard, Director of Council Management	Rebecca Hellard, Director of Council Management Sara Pitt, Director of Finance	None Required	
Planned Procurement Activities Report	Standing Item	To note the latest Cabinet report on planned procurement activity.	Steve Sandercock, Assistant Director, Procurement	Steve Sandercock, Assistant Director, Procurement	None Required	
Work Programme Development	Decision	Approve work programme for 2022-23	Fiona Bottrill, Senior Overview and Scrutiny Manager	None	None Required	

**Final Deadline: Tuesday 10<sup>th</sup> January 2022**

**Publication: Wednesday 11<sup>th</sup> January 2022**

**Date of Meeting: Thursday 2<sup>nd</sup> March 2023**

<b>Item/ Topic</b>	<b>Type</b>	<b>Aims and Objectives</b>	<b>Lead Officer</b>	<b>Witnesses</b>	<b>Visits</b>	<b>Additional Information</b>
Financial Monitoring 2022/23	Monitoring report	Scrutiny of current financial position	Rebecca Hellard, Director of Council Management	Rebecca Hellard, Director of Council Management Sara Pitt, Director of Finance	None Required	
Planned Procurement Activities Report	Standing Item	To note the latest Cabinet report on planned procurement activity.	Steve Sandercock, Assistant Director, Procurement	Steve Sandercock, Assistant Director, Procurement	None Required	
Work Programme Development	Decision	Approve work programme for 2022-23	Fiona Bottrill, Senior Overview and Scrutiny Manager	None	None Required	

**Final Deadline: Tuesday 21<sup>st</sup> February 2022**

**Publication: Wednesday 22<sup>nd</sup> February 2022**

**Date of Meeting: Thursday 30<sup>th</sup> March 2023**

<b>Item/ Topic</b>	<b>Type</b>	<b>Aims and Objectives</b>	<b>Lead Officer</b>	<b>Witnesses</b>	<b>Visits</b>	<b>Additional Information</b>
Financial Monitoring 2022/23	Monitoring Report	Scrutiny of current financial position	Rebecca Hellard, Director of Council Management	Rebecca Hellard, Director of Council Management Sara Pitt, Director of Finance	None Required	
Planned Procurement Activities Report	Standing Item	To note the latest Cabinet report on planned procurement activity.	Steve Sandercock, Assistant Director, Procurement	Steve Sandercock, Assistant Director, Procurement	None Required	
Work Programme Development	Decision	Approve work programme for 2022-23	Fiona Bottrill, Senior Overview and Scrutiny Manager	None	None Required	

**Final Deadline: Tuesday 21<sup>st</sup> March 2022**

**Publication: Wednesday 22<sup>nd</sup> March 2022**

**Date of Meeting: Thursday 27<sup>th</sup> April 2022**

<b>Item/ Topic</b>	<b>Type</b>	<b>Aims and Objectives</b>	<b>Lead Officer</b>	<b>Witnesses</b>	<b>Visits</b>	<b>Additional Information</b>
Financial Monitoring 2022/23	Monitoring Report	Scrutiny of current financial position	Rebecca Hellard, Director of Council Management	Rebecca Hellard, Director of Council Management Sara Pitt, Director of Finance	None Required	
Planned Procurement Activities Report	Standing Item	To note the latest Cabinet report on planned procurement activity.	Steve Sandercock, Assistant Director, Procurement	Steve Sandercock, Assistant Director, Procurement	None Required	
Work Programme Development	Decision	Approve work programme for 2022-23	Fiona Bottrill, Senior Overview and Scrutiny Manager	None		

**Final Deadline: Tuesday 18<sup>th</sup> April 2022**

**Publication: Wednesday 19<sup>th</sup> April 2022**

**TO BE SCHEDULED:**

**Items suggested for the work programme:**

- Impact of Universal Credit roll out on the Council and understanding of residents' housing costs / needs and implications for the cost of living crisis.
- Financial implications of the Council's approach to early intervention for the Council's finances and budget, including proposal to bring enforcement into Council service.
- Management of the Council's budget deficit
- Delivering Best in Class Services in Finance, Resources and HR: What are current base lines and how will progress be measured? Examples of other Best in Class services / organisations in relation to finance, resources and human resources.
- Implementation of Digital Strategy
- Outcome of the CIPFA Budget Sufficiency Review of Education and Skills Directorate (now the Children and Families Directorate)
- Use of consultants