

S151 Officer Update

Audit Committee
November 2023



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1. Finance Position (General Fund)

2022/23

£86.1m overspend

January 2023 outturn

- At the end of January 2023, the 2022/23 General fund outturn was an underlying deficit of £86.1m, offset by the use of reserves;
- As at today, the forecast outturn for 2022/23 shows a £78.2m overspend.

2023/24

£87.4m overspend

Quarter 1 2023/24 forecast

- On 25th July 2023, Cabinet received a high-level Quarter 1 forecast for 2023/24. This showed a forecast overspend of £87.4m.
- Any one-offs used to address the overspend will need to be addressed in the next year.

2024/25

£164.8m budget gap

Quarter 1 2023/24 forecast

- The forecast for 2024/25 also showed an additional budget gap of £77.5m in-year, making this £164.8m cumulative across the two years.
- This is being reviewed and updated.

2025/26

£177.1m budget gap

Quarter 1 2023/24 forecast

- The forecast for 2025/26 also showed an additional budget gap of £12.3m in-year, making this £177.1m cumulative across the three years.
- However, this is almost certainly going to be higher as historically growth has been understated.
- Capitalisation of Equal Pay will mean higher borrowing costs.

From an accounting perspective we are in a negative general fund position.

Next Steps

- Outturn report being presented in November with final position.

Savings & Next Steps

- 1) Reserves centralisation
- 2) Stop revenue projects
- 3) Contract review
- 4) In-year cash targets through Spend Control Boards

Savings & Next Steps

- 2024/25 budget targets to be issued.

Savings & Next Steps

- Additional savings to be identified.
- *Next Steps: Develop refreshed 2025/26 forecast assumptions, to identify true budget gap.*

1. Negative Reserves of -£680 million

Useable Reserves	Value (£m)
Balance at 31 st March 2022	£596.8m
Reserves used in 2022/23	(£336.2m)
Latest forecast 31 st March 2023	£260.6m
Estimated reserves usage in 2023/24	(£25.6m)
Latest forecast 31 st March 2024	£235.0m

Of the £235.02m, £172.2m is available for use.

*There are **additional draw-downs** which need to be addressed.*

Reserves available for Overspend and Other Items	£172.2m
Overspend for 2023/24	(£87.4m)
Oracle Costs (multi-year)	(£46.5m)
Extra Pay Award Costs 23/24 (assuming 6.5%)	(£11.2m)
Equal Pay Liability, midpoint £650m-£760m future yr	(£705.0m)
Negative Reserves	(£677.9m)

- Useable reserves is currently defined as the sum of the Delivery Plan Reserves, Financial Resilience Reserve, Other Corporate Reserves, and Earmarked Reserves;
- Our expected 2023/24 reserves position forecasts that we could have up to £172.2m of usable reserves to address the challenges above;
- *This is before the impact of Equal Pay, and the costs of borrowing to fund Equal Pay;*
- There are also other risks such as Highways PFI.
- As such, from an accounting perspective we are in a **negative general fund position**.

2. High Level Recovery Plan – 2024/25 & 2025/26 targets

(all figures in £ million)

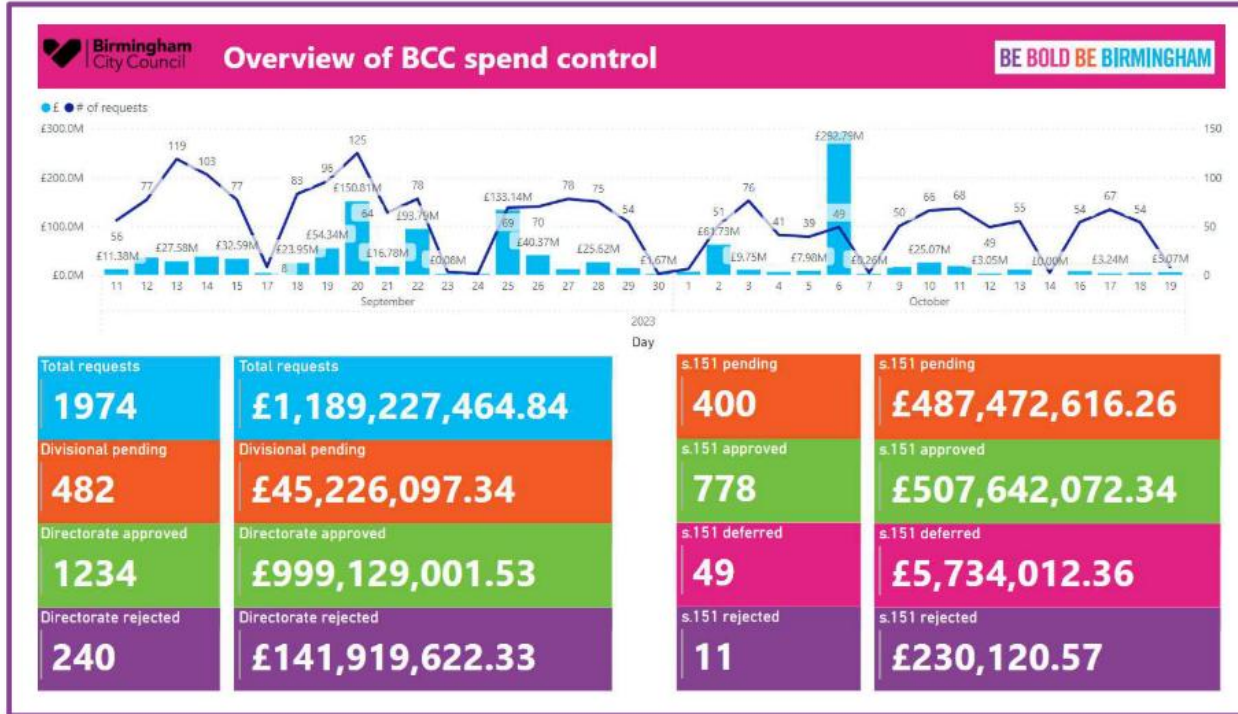
Directorate	Adults Social Care	City Operations	Places, Prosperity & Sustainability	City Housing	Council Management	Strategy, Equalities & Partnerships	Children and Families	Total
Total Expenditure	548.5	312.6	128.3	64.5	148.7	8.3	463.4	1,674.3
Controllable Income	-110.8	-106.4	-73.6	-40.1	-117.3	-0.1	-34.6	-482.8
Net Budget (Adjusted for controllable income)	437.7	206.2	54.7	24.5	31.4	8.2	428.8	1,191.5
Allocation of £200m target based on Net Budget	73.5	34.6	9.2	4.1	5.3	1.4	72.0	200.0 : Savings Target 17% : Percentage
2024/25 Target	60.62	28.55	7.58	3.39	4.34	1.13	59.38	165.00
2025/26 Target	12.86	6.06	1.61	0.72	0.92	0.24	12.60	35.00*

Notes

- Controllable Income = Income less Council Tax & Business Rates and Grants, and removing Public Health Grant expenditure
- Saving percentage of 17% against total Net Budget (adjusted for controllable income)

**This is almost certainly going to be higher as historically growth has been understated.*

3. Effectiveness of Spend Control Process



Reflections

- Significant volume of requests and attendees at SCB;
- Directorate SCBs successful at ‘weeding out’ items to be rejected;
- Limited rejected at S151 SCB, requests meet requirements;
- Items deferred, hence clarity on justification needed in submissions;
- Internal Audit will review effectiveness of Directorate SCBs.

3. Effectiveness of Spend Control Process – Governance

New Governance & Next Steps

- ***S151 Spend Control Board will have 4 attendees:*** CEX (or representative), S151 (or Deputy), Monitoring Officer (or Deputy), and Cllr Brigid Jones (Cabinet Member for Finance & Resources). Proposed start date start w/c 30/10.
- Backlog need to be addressed during w/c 30/10, with additional S151 SCBs to be scheduled, plus review in advance of sessions offline for recommendation.
- Form updates need to be accelerated, with pressure on IT&D to deliver changes ASAP so appropriate information is captured.

4. Budget Milestones 2024/25 (1/2)

Week	Date	Milestone
1	26 th October 2023	Issue 2024/25 and 2025/26 savings targets to CLT
2	1 st November 2023	Commissioner Finance Board
2	3 rd November 2023	Draft communications plan for budget
3	w/c 6 th November 2023	Review and update inflation model
3	w/c 6 th November 2023	Review pressures and growth for 2024/25 and 2025/26
3	w/c 6 th November 2023	Review and rebase 23/24 budget
3	w/c 6 th November 2023	List of assets and potential capital receipts available
3	w/c 6 th November 2023	Review of Capital Programme available
3	7 th November 2023	Saving options return to finance
3	7 th November 2023	CLT discussion on savings options – Presentation by each Director
4	14 th November 2023	CLT Full day – line by line, work through budget
4	14 th November 2023	Cabinet - position statement on 24/25 and 25/26 budgets
3-4	7 th - 16 th November 2023	Due diligence of savings options
4	15 th November 2023	Commissioner Finance Board
5	w/c 20 th November 2023	O&S Task & Finish Group Phase 1 – Budget gap and timeline
5	w/c 20 th November 2023	CLT and EMT to discuss savings – Fully developed proposals
5	22 nd November 2023	Autumn Statement
6	w/c 27 th November 2023	Commence drafting of report (General Fund, HRA, Capital, Treasury Management Strategy)
6	29 th November 2023	Commissioner Finance Board

4. Budget Milestones 2024/25 (2/2)

Week	Date	Milestone
7	w/c 4 th December 2023	O&S Task & Finish Group Phase 2 – Draft proposals
7	w/c 4 th December 2023	CLT and EMT
8	13 th December 2023	Commissioner Finance Board
9	w/c 18 th December 2023	CLT and EMT – Lock in of budget
9	TBC December 2023	2024/25 Provisional Local Government Finance Settlement and EFS Discussion
-	TBC December 2023	Budget Consultation
11	w/c 1 st January 2023	Commissioner Finance Board
12	w/c 8 th January 2024	All member briefing post-settlement
12	w/c 8 th January 2024	Political group briefings
12	w/c 8 th January 2024	O&S Task & Finish Group Phase 3 – Final Budget
13	w/c 15 th January 2023	Commissioner Finance Board
13	16 th January 2024	Cabinet Meeting – Council Tax Base 2024/25
14	w/c 22 nd January 2024	2024/25 Final Local Government Finance Settlement
14	w/c 22 nd January 2024	Business Rates consultation
14	w/c 22 nd January 2024	Finalise budget reports
15	w/c 29 th January 2024	Commissioner Finance Board – Final budget
-	TBC January/February 2024	Exceptional Financial Support 'minded to' letter from DLUHC / Council tax discussion with DLUHC and internally
17	13 th February 2024	Cabinet – Receives budget
19	27 th February 2024	Full Council – Council tax setting