

Birmingham City Council

City Council

5 March 2024



Subject: **2024/25 Budget Setting Process:**
Leader and Cabinet's Budget and Council Tax
Resolution for 2024/25 – Supplementary Report

Report of: **Leader of the Council and Cabinet**

Report author: **Fiona Greenway, Director of Finance & Section 151 Officer**

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:

In accordance with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, a recorded vote will be taken at Full Council and Cabinet on any vote in respect of the Council's budget and council tax. The names of Members who voted for or against such a decision or abstained shall be recorded and entered into the minutes of the relevant meeting. A recorded vote shall also be taken on any proposed amendments relation to the Budget and Council Tax

1 Executive Summary

- 1.1 This is a supplementary report to the 2024/25 Budget Setting Process: Leader and Cabinet's Budget and Council Tax Resolution for 2024/25 issued for City Council on 5 March 2024.
- 1.2 To balance the 2024/25 budget, and to enable the City Council to set a lawfully balanced budget on 5 March 2024, the Council submitted two formal requests to the Department for Levelling Up, Housing and Communities (DLUHC) to seek Exceptional Financial Support (EFS) which provides the ability to capitalise revenue expenditure and is unfunded, requiring capital receipts generated by asset disposals. These requests were:
 - a) Permission to increase the Council Tax level above the referendum limit to 9.99% and to support this, the Council will review and revise the Council Tax Support Scheme to offset the potential impact to citizens; and
 - b) A formal application for a Capitalisation Direction of £1.255bn and 'minded to' letter to cover the Equal Pay accounting liability, the costs involved in the redundancy scheme, and support to deliver a balanced budget for the 2024/25 financial year.
- 1.3 The purpose of this supplementary report is to update on the status of the Council's request for EFS in relation to capitalisation.
- 1.4 A letter from the Secretary of State for Levelling Up, Housing and Communities, was received on 27 February 2024, confirming the current position and providing the EFS requested to balance the budget for 2024/25 (Appendix 1 refers). The Leader of the City Council agreed to proceed in accordance with the position set out in the letter, via a letter on 28 February 2024 (Appendix 2 refers).
- 1.5 As such, this EFS request enables the City Council to set a balanced budget and to start the journey to rebuild a credible and sustainable financial plan for the medium term. This includes the identification and delivery of a new savings programme that is unprecedented for the City Council in terms of its scale. A significant programme of check, challenge, and scrutiny has been undertaken to enable the identification of credible savings proposals for 2024/25 and 2025/26 to improve the financial resilience of the Council, including Equality Impact Assessments (EIAs), where

required. Delivery of these savings will need to involve significant and sustained work by all council officers, elected members and stakeholders.

1.6 This report also provides an update to the wording within Annex 3 of the original report. Cabinet agreed an update on 27 February 2024, for which Recommendation 2b) was amended to read as follows:

a) The 2024/25 and 2025/26 programme of proposed savings (Section 9 and Appendix 1 refer) and notes that individual savings may be subject to Public Consultation before they can be implemented.

2 Recommendations

2.1 There are no additional recommendations contained within this supplemental report.

3 Background

3.1 The response from the Department for Levelling Up, Housing and Communities in relation to the Council's EFS request in relation to capitalisation can be found at Appendix 1. The Leader of the City Council agreed to proceed in accordance with the position set out in the letter, via a letter on 28 February 2024 (Appendix 2 refers).

3.2 This report also provides an update to the wording within Annex 3 of the original report. Cabinet agreed an update on 27 February 2024, for which Recommendation 2b) was amended to read as follows:

a) The 2024/25 and 2025/26 programme of proposed savings (Section 9 and Appendix 1 refer) and notes that individual savings may be subject to Public Consultation before they can be implemented.

4 Compliance Issues:

4.1 Legal Implications

a) Local authorities are subject to statutory duties to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This report sets out the basis upon which a recommendation will be made for the adoption of a lawful budget and the basis for the level of the council tax for 2024/25.

- b) Section 25 of the Local Government Act 2003 imposes a duty on an Authority's Chief Finance Officer to make a report to the Authority for it to take into account when it is considering its budget and funding for the forthcoming year. Members will find the Section 25 Report of the Section 151 Officer as Annex 1 to this report. This outlines the Council's current and anticipated financial circumstances, including matters relating to the General Fund budget, the HRA, the capital programme and borrowing and expenditure control.
- c) The Local Government Finance Act 1992 requires local authorities to balance their budget. The setting of the budget and council tax by Members involves their consideration of choices as to spending. No realistic options should be dismissed without proper consideration and Members must also consider their fiduciary duty to the council taxpayers of Birmingham.
- d) Where the Council is subject to a mandatory duty to provide a service, it would not be lawful to fail to discharge that duty. Where there is discretion as to how a discretionary power is to be exercised or as to the manner in which a mandatory duty is to be discharged, that discretion must be exercised reasonably. There will need to be appropriate consultation where the Council is subject to a duty to consult, as well as compliance with the public sector equality duty.
- e) Under the constitutional arrangements, the setting of the council budget is a matter for the council, having considered recommendations made by the Cabinet.
- f) Before the final recommendations are made to the Council, the Finance Overview and Scrutiny Committee must have been given the opportunity to scrutinise these proposals and the Cabinet should take into account its comments when making those recommendations.
- g) For the 2024/25 financial year, the Council requires Exceptional Financial Support from Central Government to enable a balanced budget to be set. This will need to come in a letter from the Secretary of State for Levelling Up, Housing and Communities in advance of the City Council meeting on 5 March 2024, to enable a vote on a balanced budget for the 2024/25 financial year.

4.2 Financial Implications

- a) The financial implications of the budget for the 2024/25 financial year are set out within the body of this report and the supporting Annexes and Appendices.

4.3 Procurement Implications

- a) The implementation of proposals set out in this budget report will need to be managed in accordance with the appropriate procurement governance arrangements.

4.4 Human Resources Implications

- a) The impact of the new savings proposals will result in staff redundancies. The Council will take all necessary steps to minimise the number of redundancies. The costs of these redundancies form part of the request for Exceptional Financial Support from DLUHC.

4.5 Public Sector Equality Duty

- a) The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.
- b) After more than a decade of significant budget savings, it is difficult to make new savings without any impact on residents. There will inevitably be some impact on particular groups, including those with protected characteristics as defined by the Equality Act. The Council is not legally obligated to reject savings with negative impacts on any particular groups but must consider carefully and with rigour the impact of its proposals on the Public Sector Equality Duty, take a reasonable and proportionate view about the overall impact on particular groups and seek to mitigate negative impacts where possible.
- c) The need for an individual Equality Impact Assessments (EQIA) has been considered for all the budget savings proposals and where assessments are deemed necessary these are set out in full at:

<https://www.birmingham.gov.uk/EqualityImpactAssessments>. These demonstrate that the Council has met its duties under the Equality Act 2010.

- d) A summary corporate EQIA assessment of the budget proposals was completed on 20 February 2024 and is attached in Annex 3 of this report. The EIA report is based on data extracted from the individual EQIAs completed by Directorates uploaded to the Council's SharePoint site as of 20 February 2024. This document is only a summary and does not replace the individual specific EIAs, which decision-makers must read before making their decision. <https://www.birmingham.gov.uk/EqualityImpactAssessments>.

5 Appendices

Appendix 1 – Exceptional Financial Support Letter – Birmingham City Council 2024-25 – 27 February 2024

Appendix 2 – 1837tr S Hoare MP – 28 February 2024