

Birmingham City Council

Report to Cabinet

10th September 2024



Title:	SECTION 151 OFFICER UPDATE ON THE FINANCIAL POSITION OF THE COUNCIL – SEPTEMBER 2024 & QUARTER 1 2024/25 MONITORING
Lead Cabinet Portfolio:	Councillor John Cotton, Leader of the Council Councillor Karen McCarthy, Cabinet Member for Finance
Relevant Overview and Scrutiny Committee:	Councillor Sir Albert Bore, Chair Corporate and Finance Overview & Scrutiny Committee
Report Author:	Fiona Greenway, Director of Finance & Section 151 Officer
Authorised by:	Fiona Greenway, Director of Finance & Section 151 Officer
Is this a Key Decision?	No
If this is a Key Decision, is this decision listed on the Forward Plan?	Not Applicable
Reason(s) why not included on the Forward Plan:	Not Applicable
Is this a Late Report?	No
Reason(s) why Late:	Not Applicable

Is this decision eligible for 'call in?' No

If not eligible, please provide reason(s): Not Applicable

Wards: All

Does this report contain exempt or confidential information? No

Exempt Information

Not Applicable

Has this decision been included on the Notification of Intention to consider Matters in Private? No

Reasons why not included on the Notification: Not Applicable

1 Executive Summary

- 1.1 This report provides an update on the financial context for Birmingham City Council as of September 2024. This report will focus on:
 - a) An update on savings progress in 2024/25, and seeking approval to accelerate some savings from 2025/26 to 2024/25;
 - 1.1.1 An update on the Medium-Term Financial Strategy Principles, how these will be evidenced alongside an Action Plan;
 - b) An update on progress to balance the 2025/26 and 2026/27 budgets; and
 - c) An update on the overall financial position at Quarter 1 for 2024/25.
- 1.2 For the 2025/26 to 2028/29 MTFP period, Cabinet has been clear in its intention to endeavour to present a balanced budget for 2025/26 and 2026/27 to Cabinet and City Council for final approval in February / March 2025, as directed by Commissioners. This budget will be presented in draft to Cabinet in October 2024, to enable earlier scrutiny in advance of final approval. This report presents and update on progress to meet the forecast budget gap and details areas that are being reviewed for further savings.
- 1.3 In summary, the Council's financial position continues to be of significant concern to the Council's Corporate Leadership Team (CLT), Cabinet, and Commissioners. This increase to the savings target for the 2025/26 financial year only makes the challenge more difficult. An acceleration is required to the work to identify additional savings for the 2025/26 and 2026/27 financial years, in order to support the Council's return to financial stability. Additional Exceptional Financial Support (EFS) is currently not a feasible option to address this budget challenge, and the Council must now take every step required to live within its means.
- 1.4 Also contained within this report is a position statement for Quarter 1 of the 2024/25 financial year. On 5 March 2024, the Council agreed a net revenue budget for the 2024/25 financial year for the Council's General Fund of £1,151m, as well as the budgets for the Housing Revenue Account (HRA), Dedicated Schools Grant (DSG) and the Capital programme. The provision outturn position for the Council is that the General Fund Revenue Budget is projected to underspend by £5.1m. This is due to

£4.7m underspends across Directorates (0.4% of total budgeted Directorate Net Expenditure) and £0.4m projected underspend against corporate budgets.

- 1.5 It should be noted that the 2024/25 General Fund Budget includes the need for a £225.9m capitalisation direction to make the budget balance. This means that, in the absence of Government intervention in the form of EFS the Council would have a forecast deficit of £220.8m.
- 1.6 Given the Council's history in relation to financial management, this position should be treated with great caution. There has been a historic tendency for the financial position to deteriorate throughout the financial year, demonstrated in part during this year through the deteriorating savings position. Further, in light of the significant budget gap for future years and reliance on EFS to balance the financial position this year, the Council must continue to push forwards.
- 1.7 To this end, the Council will continue to tightly monitor all spend throughout the remainder of the 2024/25 financial year. This means that Section 151 Officer Spend Control Boards will continue for all spend. In addition, the Section 151 Officer is recommending that additional work is completed to review the spend control arrangements within Packages of Care for Adults and Children's, Homelessness spend, and Agency spend within Street Scene.
- 1.8 As noted above, the savings projection position continues to deteriorate on a monthly basis. The benefit of close monitoring means that corrective action can be taken earlier in the financial year, allowing a greater in-year impact of additional or mitigating savings. As such, an additional £11.982m of savings opportunities are being accelerated in to the 2024/25 financial year, with recommendations to provide delegations to complete this savings work.
- 1.9 To navigate the significant financial challenges ahead, it is crucial that the Council maintains its focus and determination. The Council must accelerate its efforts to mitigate in-year savings non-delivery, to continue to control spend in-year, and to identify sufficient savings for the 2025/26 and 2026/27 financial years. The triangulation of these efforts will help to reduce the risk that the financial position deteriorates, reduce the savings target for future years, and realise a balanced budget for 2025/26 and 2026/27.

2 Commissioner's Review

- 2.1 The Commissioners welcome the broadly positive first quarter budget monitoring report, although the Council is right to be cautious at this relatively early stage in the year. However, Commissioners are of the view the Council does not have sufficiently robust plans to balance the budget in 2025/26 and subsequent years. Commissioners agree the themes set out in the report are appropriate, however, we are not confident that the Council can deliver sufficient savings to bridge the budget gap.
- 2.2 Since the budget was approved in February the Council has identified £56m of new savings, however, these are subject to due diligence so it is unlikely all will be deliverable in 2025/26. The current budget gap in 2025/26 is £195m and that reduces to £63m if all currently identified savings are approved and delivered (£56m and £76m of savings previously identified). As a result of rising growth this is broadly the same net position the Council was in in February of this year when the provisional budget was approved. We are unsure of the position in later years.
- 2.3 We set out below some broad recommendations;
- The Council needs to make sure that a clear financial message along with expected behaviours is communicated and consistently reinforced to all staff. The message needs to set out a compelling change story.
 - There needs to be a focus on delivery on all aspects of the MTFP. Programme management has been improved, however, the financial position needs to be managed like the crisis it is.
 - The Council needs to work at pace identifying savings from many of the components in the letter - procurement, energy, corporate landlord, TOM including support service modernisation etc so these can be quantified and incorporated into the MTFP. In addition, commissioners believe there are more efficiencies to be found. A more fundamental transformation is possible and Oracle can be a real driver of savings across the Council.
 - Commissioners believe that all areas of expenditure need to be explored. Appropriate focus must be applied to Adult Social Care and Public Health.

- Children's Services pressures/budget approach are a key component of the deteriorating budget position, including with regard to the Children's Trust. The Council must satisfy itself that all pressures have been identified and are appropriately calculated. Commissioners are supportive of the work the improvement partner is likely to undertake. This may involve a fundamental review of Children's services.
- The Council is undertaking some further work on Birmingham specific budget pressures, such as PFI and migration. This work needs to be completed as soon as possible.
- Commissioners believe the current spend controls need to be strengthened in relation to both Children's and Adults social care, and recruitment. Our expectation is that there is non service involvement in this process, and all expenditure is in scope. We acknowledge that the spend control boards as applied to non social care expenditure are operating effectively.
- Given the deteriorating financial position, we are also concerned the latest forecast indicates a shortfall in capital receipts. Commissioners will explore through the established process how this can be brought back on track.

2.4 Commissioners are aware that turning the council around is a difficult task and want to work collaboratively with members and officers. We want to explore the themes in this letter in more detail. The financial challenge belongs to everyone and until this is the case we believe the Authority will struggle to become financially stable.

2.5 We understand the Council is considering options for balancing the budget over a longer period. To deliver c£195m savings next year would be challenging for any organisation. However, completing the task over a longer period will cost more and prolong this challenging period. The Council needs to understand the consequences of this approach.

2.6 We also stress the importance of the development of a genuine Medium Term Financial Plan. The instruction from Commissioners was for a plan that balanced the first two years and identified the scale of the challenge in years three and four. We are concerned that the Authority will drift back into an annual budget cycle.

Transformational savings take time and we reiterate the need for the development of a robust multi-year savings plan and MTFP.

- 2.7 We do acknowledge the progress that has been made and repeat that Commissioners want to work with you to ensure at February Council there is a robust MTFP that maximises transformational savings and efficiencies and leads to that critical financial stability.
- 2.8 Commissioners are concerned about the volume and value of debt write offs and that they have not been considered by Cabinet for some time. We note there is a corporate review of debt collection, which is at an early stage of development. The Finance commissioner will be taking an active interest in that review, and will also review at a high level the write offs set out in this report.'

3 Recommendations

3.1 Cabinet is recommended to:

- a) Note the update on the 2024/25 savings position (**Section 4, paragraphs 4.1 to 4.4 refer**);
- b) Agree the acceleration of work in relation to the savings attached at Appendix 2 to this report (from 2025/26 in to 2024/25), to include the development of Equality Impact Assessments and Health Impact Assessments (**Section 4, paragraphs 4.5 to 4.6, and Appendix 2 refer**);
- c) Note the evidence required to satisfy compliance with the Medium Term Financial Strategy Principles and the associated Action Plan (**Section 5, paragraphs 5.1 to 5.6, and Appendix 3 refer**);
- d) Note the update on balancing the 2025/26 and 2026/27 budgets (**Section 6, paragraphs 6.1 to 6.32, and Appendix 4 refer**);
- e) Note the Quarter 1 2024/25 financial position (**Section 7, paragraphs 7.1 to 7.22 refer**);
- f) Agree the budget virements undertaken in the 2024/25 financial year, to ensure budgets are sitting within the correct cost centres (**Section 8, paragraphs 8.1 to 8.3 and Appendix 5 refer**); and

- g) Agree that outstanding individual debts of more than £25k relating to Irrecoverable Council Tax, Business Rates, Housing Benefit, Housing Rents, and Sundry Debts are written off. These require Cabinet approval as per the Council's constitution (**Section 9, paragraphs 9.1 to 9.3, and Appendix 6 refer**).

4 Update on 2024/25

- 4.1 At the end of June, the value of Red rated savings had increased from £9.4m to £10.5m, and the trend across the 3 reporting months was increases month on month. The value of Amber rated savings had stayed broadly consistent at £29.8m, the expectation was that there would be a movement from Reds and Ambers to Green.
- 4.2 There are also emerging issues that need to be considered:
- a) Highways Private Finance Initiative (PFI) saving #18 – Judicial Review ruling in favour of the Council means a decision is now awaited from Government on future PFI arrangements. The timeframe for a decision is still to be confirmed, but the saving is now at risk (£12m in 2024/25 rising to £20m in 2025/26). Plans for a corporate approach to cover the potential shortfall are to be developed.
 - b) Early Intervention & Prevention (EIP) Place Based saving #221 – It has been flagged that this is no longer deliverable in its current form. The Corporate Landlord team are to review and identify what is achievable for 2025/26 (£2m) and 2026/27 (£4m). We will be carrying out a review to determine what can be learnt to inform delivery of other savings.
 - c) Children & Young People Travel Service – There are concerns about slippage in delivery of saving #151 (Passenger Assistance Service Redesign) which was anticipated to mitigate the shortfall on saving #150 (Review of Non-Statutory Transport Packages). Close monitoring of the delivery and all associated mitigations will be undertaken.
- 4.3 It is therefore unlikely that the Council will fully deliver all of the approved savings in 2024/25. If all of the Red savings (£10.491m) and 50% of the Amber savings (£14.896m) were not made in 2024/25 this would lead to a Savings Gap of £25.387m. Currently Directorates have identified £5.004m of mitigations. This would leave an additional in-year savings target of £20.383m. Figure 1 refers.

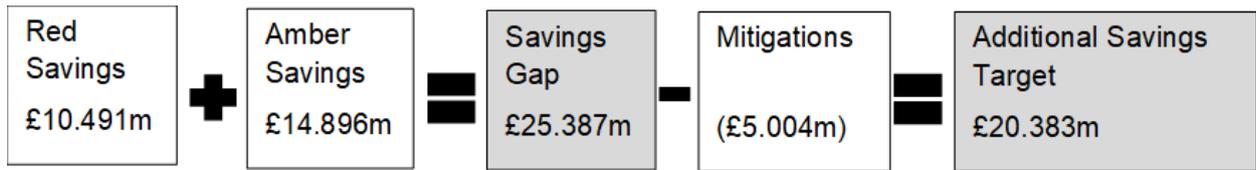


Figure 1 - breakdown of the potential savings gap for 2024/25

4.4 There are two options to mitigate against this risk:

- a) Delivering against the agreed 2024/25 savings programme by turning Red and Amber savings to Green; and/or,
- b) Delivering additional savings in 2024/25, new or accelerated from 2025/26.

4.5 It is proposed that the Cabinet agreed to accelerate savings proposals that had been put forward for 2025/26. Savings proposals totalling £11.982m in 2025/26 are requested to be brought forward, note, this alone would not close the potential gap. See **Appendix 2** for the full list of savings to be brought forward.

4.6 As such, a blended option is required, whereby all endeavours are made to deliver on the agreed 2024/25 savings programme, along with the acceleration set out in 4.5. These combined aim to mitigate the total additional savings target, and progress against this will be tracked on a monthly basis.

5 Medium Term Financial Strategy Principles – How do we enable BCC to live by these principles?

- 5.1 At Cabinet on 23 July 2024 the Medium Term Financial Strategy Principles for the period 2025/26 to 2028/29 were agreed. These principles guide the Council in setting realistic budgets, identifying potential risks, and implementing necessary adjustments to maintain financial health over a multi-year period. By adhering to MTFS principles, the Council can align its financial resources with its strategic priorities, ensuring that long-term goals are achievable within the available means.
- 5.2 The question we need to be able to answer is how do we enable the Council to “live by” these principles.
- 5.3 Tracking the MTFS principles through to delivery is essential for maintaining financial discipline and accountability. Continuous monitoring and evaluation of financial performance against the MTFP enable timely identification of variances and prompt corrective actions, mitigating potential financial risks. This process ensures that savings targets and budgetary commitments are met, contributing to the overall financial stability and resilience of the Council. Effective tracking also fosters transparency, demonstrating to stakeholders that the Council is managing public funds responsibly and is committed to delivering value for money.
- 5.4 As such, the principles agreed for the Medium Term Financial Strategy covering the period 2025/26 to 2028/29 are below alongside an initial view on the evidence that will be required to satisfy compliance with these principles. To support this, an action plan can be found at **Appendix 3** with the detail of action owners and due dates:

1. The Medium Term Financial Plan must balance for the first two years, being 2025/26 and 2026/27.

This will be met and evidenced by delivering a budget in February/March 2025 with two-years balanced. In preparation to meet this February/March 2025 deadline, an updated position on the MTFP will be presented in October 2024, and additional savings are required to address the current budget gap, which CLT are working on and this is detailed in **Section 4**.

2. There must be a credible four year financial plan with financials that reflect the Council's financial situation over the medium term.

This will be met and evidenced by delivering a budget in February/March 2025 with two-years balanced. To support this, a set of credible pressures with robust evidence will be required for all four MTFP years, created by Finance Business Partners alongside Directorate colleagues.

3. Reliance on Exceptional Financial Support (EFS) from Ministry for Housing, Communities and Local Government (MHCLG, previously DLUHC) over the medium term is not a feasible option and may have consequences for Treasury forecasts in future years.

This will be met and evidenced by delivering a budget in February/March 2025 with two-years balanced.

4. There will be no reliance on reserves, except for the use of reserves earmarked for specific purposes.

The use of reserves for 2023/24 and 2024/25 will be reviewed, and a report will be produced as evidence for prior year and current year reserves usage and the contributions to earmarked reserves from revenue.

5. There will be no new prudential borrowing, until the Council's financial position has sufficiently improved.

Current levels of borrowing will be reviewed by the Council and a report will be produced detailing the breakdown of borrowing and dates for 2023/24 and 2024/25.

6. All areas of the Council will be included within the scope of efficiencies and savings. This includes, but is not limited to, considering all grants which should be utilised as efficiently and effectively as possible to deliver Council outcomes. The scale of savings across the Council is so significant that no one service can be preserved in totality.

This will be evidenced through the delivery of a series of Star Chamber sessions across each Cabinet portfolio, these sessions will demonstrate consistent review and challenge of budgets across all Council portfolios. The Council needs to focus on a business transformation approach to savings over

the four-year period. This is key to ensure focus is not only on short term cashable savings but longer term transformational savings that reduce the Council's cost base and realises more savings over the period of the MTFP. Further to this, the grant maximisation work detailed in **Section 6** will address optimisation of grant funding.

7. Council Tax and Business Rates should increase collection as far as reasonably possible, in order to inform decisions on Council Tax levels across the four year MTFP.

A report will be produced setting out Council Tax collection rates and plans to improve collection over the MTFP period.

8. Growth assumptions in relation to business rates will be at 0%, and only reflected when delivered. This includes the impact on the supply of housing.

Work will be completed to confirm the business rates growth assumptions, and these will be confirmed with third parties.

9. The revenue implications of Capital will be minimised, and all capital projects no matter how they are funded (including Enterprise Zone and Investment Zone) should be considered within the same financial context as the rest of the Council.

A report with a detailed review of all Capital decisions from Quarter 1 2024/25 will be taken to Capital Board. A set of Capital Principles (outlined below) will also be taken to Capital Board for approval and utilised in future decision making. The Capital Principles are:

- 9.1 Ensuring capital investment is prudent, sustainable, and affordable in the context of the Council's overall finances;
- 9.2 Keeping borrowing and revenue costs of the capital programme to the absolute minimum, effectively for Statutory or Regulatory compliance or where it produces revenue savings to the Council;
- 9.3 Integrating capital budget decisions into the Council's annual, medium- and long-term planning process, so that capital investment decisions are prioritised alongside plans for revenue income and expenditure;

9.4 Ensuring stewardship of assets including the Council's land and buildings and generating cash receipts from the Council's asset thereby minimising impact on frontline service delivery;

10. Demand led pressures must be evidenced and documented prior to approval of funding. All funding will be held centrally, with evidence and approval required prior to release.

All demand led pressures will be evidenced and provided to the S151 Officer, Cabinet via the Star Chambers, and Overview & Scrutiny Committees via the Budget Task & Finish Group.

11. There will be no assumption that Council funding will replace expiry of grants and that there must be a timely exit strategy for the ending of grants.

As detailed in **Section 6**, work is being undertaken to review all of the current grants the Council receive, the current end dates and exit plans for when these grants end.

12. The Council is no longer in a position to be the lender of last resort nor underwrite nor guarantee.

The Place, Prosperity, and Sustainability Directorate, in partnership with Legal and Governance Directorate will produce a list of lending for which the Council underwrites or guarantees the funding, this list will be reviewed and next steps produced.

5.5 To ensure the MTFs principles are effectively communicated and embedded within the Council, it is essential to adopt a structured and strategic approach. This begins with clear and consistent messaging from senior leadership, including the Chief Executive and Section 151 Officer, emphasising the importance of the MTFs principles in guiding all financial and operational decisions. These principles should be disseminated via regular S151 Updates to CLT and ECLT, and then through to DMTs, helping people to fully understand and adhere to these principles. Utilising internal communication channels such as the intranet, newsletters, and staff meetings will reinforce these messages.

5.6 Incorporating the MTFs principles into the Council's performance management frameworks and decision-making processes will further embed them into daily

operations. Providing regular updates and progress reports on the financial position of the Council and these principles will maintain transparency and accountability, ensuring all employees are aware of their role in achieving financial sustainability. By fostering a culture of collective responsibility, the Council can ensure that the MTFS principles are not only understood but are actively applied in the pursuit of long-term financial health and strategic objectives.

6 Update on 2025/26 and 2026/27 – Getting the budget to balance.

Pressures

- 6.1 At EMT on 30 July 2024, Members were talked through all of the pressures that had been submitted for 2025/26 and 2026/27. Members challenged each pressure, due to this process some pressures have now been removed. Further work is happening over August to challenge these pressures and an update will be provided as part of the September MTFP Update. It is possible that some of the risks previously identified come through as pressures in the next MTFP update – all pressures will need to go through rigorous scrutiny and challenge by the organisation, and not just by Finance. **Appendix 4** sets out the pressures currently built into the MTFP, and next steps and actions.

Savings

- 6.2 There is a real risk that the Council will not identify enough credible savings to balance the 2025/26 and 2026/27 budgets, further work is required at pace to accelerate the projects to identify savings. There must also be acknowledgement that savings proposals for 2025/26 and 2026/27 should include a switch in corporate mindset to proposals being business transformation opportunities that also save money. There are various areas that the Section 151 Officer has requested CLT to look at in more detail to identify further savings opportunities. There are also existing savings proposals where the scale of the saving needs to be increased or they need to be accelerated. This report will walk through these in turn. It is expected that credible delivery plans are produced for each of the below areas and that achievable targets are set, before they are added to the MTFP.

Savings Submissions

- 6.3 As at the beginning of August 2024, 154 savings have been submitted by Directorates. Of these, 80 were submitted as part of the 2024/25 budget setting process and 74 are new for 2025/26. The savings proposed total £132.2m in 2025/26, £75.9m of which were submitted as part of the 2024/25 budget setting papers (note – this number has decreased due to some savings being included in new submissions) and £56.3m of new savings.

6.4 Of the 74 new savings for 2025/26, so far, 66 have delivery plans with 8 outstanding. These 66 are due to be reviewed and challenged by Finance over the next few weeks to ensure they are credible and deliverable. There are also a further 3 where savings have been put forward but currently no figure has been submitted nor delivery plan.

Spend Control

6.5 In light of the worsening MTFP position that was taken to Cabinet on Tuesday 23 July 2024, the Section 151 Officer requested that the Spend Control processes currently in place are reviewed and that the organisation needed to be reminded about the financial situation of the Council.

6.6 Spend Control arrangements within Adult Social Care are currently being reviewed. Current practice is that all new packages of care and changes to existing packages of care are reviewed by the Team Manager (Grade 6) and reviewed and approved by the Head of Service. The Section 151 Officer recommends that packages of care over a certain threshold per week should be reviewed and approved by either an Assistant Director or Director for an additional level of scrutiny and challenge.

6.7 All other Adult Social Care spend goes through the Directorate Spend Board. Guidance is currently being updated and will be reshared by the Directorate.

6.8 We will work with Birmingham Children's Trust (BCT) to look at adopting a similar approach to Adult Social Care for Spend Control.

6.9 The Section 151 Officer has also been made aware of Officers circumventing the current process for recruiting and extending members of staff. The Section 151 Officer has requested that People Services review the current arrangements regarding Workforce Boards and put in place additional controls. Updated communications will then be sent to Directorates to ensure everyone is aware of the processes to follow when recruiting. Scope for this work needs to include agency and interim recruitment and ensuring compliance with the agreed establishment.

Birmingham Children's Trust

- 6.10 As part of the S151 Officer's series of touch points with the Transformation Partner for BCT, it's been requested that the BCT pressure model is reviewed and challenged. The S151 Officer has requested assurance and commentary on the robustness and reasonableness of the forecast. Further discussions will then be held with BCT to review the calculations and ensure that, where possible, no additional foreseeable pressures will be identified for the MTFP period. An updated pressure model is expected for the next MTFP refresh, and options to mitigate these pressures must be reviewed prior to pressures being added to budgets.
- 6.11 The Section 151 Officer has also requested that the savings currently put forward by the Transformation Partner are relooked at and a further savings are identified for 2025/26. Once detail of the increased savings is received a credible delivery plan will need to be produced alongside an Equality Impact Assessment / Health Impact Assessment.

Adult Social Care

- 6.12 A further ask of Adult Social Care has been to identify further areas of savings. It is possible that an end-to-end review of interactions between citizens and Adults could identify some areas of efficiencies. The Section 151 Officer has asked the Director of ASC to investigate.

Procurement

- 6.13 Savings put forward by Procurement for 2024/25 and 2025/26 are currently at risk of delivery and therefore further work is required to ensure these savings, and more, can be delivered. It is acknowledged that Procurement is an enabler to facilitate delivery of Directorate specific savings. As such, the Section 151 Officer has requested that the savings are accelerated and a clear plan to achieve the savings is produced. Two areas have been identified that this work should be focused on:
- a) The Top 20 suppliers the Council uses are to be shared with CLT and plans made to negotiate these contracts down, in partnership with the Directorate that owns these contracts. Expertise in contract negotiation will be crucial in identifying opportunities to reduce the value of these contracts down. The Section 151 Officer would like to see savings attached to each of the Top 20

suppliers (and where savings have already been allocated to these suppliers, these are stated). The Section 151 Officer will work with the Director of People Services and Commercial & Procurement Director to review how efficiencies can be realised from the agency contracts the Council currently has in place.

b) The Section 151 Officer has requested sight of the Contract Register, with a particular focus on which contracts are ending between now and March 2026. As a Council we need to ensure we have a forward plan of contracts ending as well as a strategy in place to review the existing contracts before they end with options for future delivery that produce savings.

6.14 The Commercial & Procurement Director has responded with a status and transformation plan for their team. A pathway to support savings activities has also been produced and Directorate owned contract registers are being collected and a single contract register is being produced. Directorate Contract and Procurement Boards are also being set up with a Terms of Reference in draft.

Corporate Landlord and Energy

6.15 Savings have been put forward for the Corporate Landlord function, these have been put forward for 2026/27, work needs to progress at pace and these savings need to be brought forward. The Section 151 Officer has requested that these savings are accelerated so that large savings can be achieved in 2025/26. The Section 151 Officer has requested that the team identify what additional resources are required to achieve this.

6.16 To support the Corporate Landlord function, the Section 151 Officer has instructed the centralisation of all Property related budgets and costs as soon as possible. The Corporate Landlord function in partnership with Finance will analyse where the budgets and costs are currently captured and will put forward details on how savings will be made against each of the budget lines.

Public Health Grant

6.17 The 5 year plan for the Public Health Grant (PHG) has been updated which is indicating a deficit against the grant, therefore there is a risk that no further savings can be identified through maximising the Grant, there is also the risk that the current time limited savings in future years are ceased early to bridge the forecast deficit.

6.18 The Section 151 Officer has requested that the Public Health team provide further information:

- a) All services provided by BCC that are funded from the grant are reviewed, i.e. those “internally commissioned” within BCC. Services identified that could be reduced or stopped;
- b) A full list of other areas funded by the grant, this would include staffing and external contracts;
- c) These two lists could then be shared at CLT and EMT for discussion on what should and shouldn’t be funded from the PHG;
- d) Confirmation of the 5 year plan for Public Health and forecast for the current year.

Grant Maximisation

6.19 We need to ensure the organisation is maximising all grant income, and that any administrative costs are prioritised. The Section 151 Officer needs assurance that there is a comprehensive list of grants and their end dates, as well as a clear exit plan, this is to ensure there is not additional pressures for the General Fund. Finance Business partners are working with the relevant Directorate Management Teams (DMTs) to deliver this.

Review of IT Spend

6.20 The Section 151 Officer is concerned that spend on IT is currently not centralised. The Section 151 Officer has therefore requested that DTS undertake a review of all IT related spend across the organisation, not just spend within DTS. It is expected this will uncover some additional savings where duplicate software/systems/equipment are being purchased.

6.21 The Director of Digital Information & Technology Services has responded with a detailed plan and areas for review. Regular updates will be provided to the Section 151 Officer.

Review of Traded Services and Companies

6.22 We need to ensure that the current Traded Services the Council has are at the very least breaking even. The Section 151 Officer has therefore asked the

Finance team to pull together the full list of Trading Accounts and the latest financial information for options to be considered.

6.23 The Finance Team has responded with details around each of the current Traded Services, and allocated each into three groups:

- a) **Group 1:** Traded Services that at least cover their costs plus contribute to the Council's overheads;
- b) **Group 2:** Traded Services that are mainly focused on in-house delivery and generally operating at a deficit, these are incorrectly classified as traded services; and
- c) **Group 3:** Traded Services that are loss making.

6.24 The suggested next steps are:

- a) For those in Group 1 above, a further review of each Traded Service is required to reflect the agreed MTFs Principles (e.g. the impact of #5 no new prudential borrowing), particularly focussing on whether further capital is likely to be required over the MTFP period. An appraisal will also be completed on the likely sale value of each Traded Service.
- b) For those in Group 2 above, reclassify these as not being Traded Services and review whether it offers better value for money to purchase these services externally, and therefore look to close.
- c) For those in Group 3 above, look to cease these services as soon as possible, especially where the service is non-statutory.

6.25 The list of Traded Services and proposed next steps for each of them will be taken to CLT during September. At the meeting we will get agreement on which CLT members will lead on each Traded Service and next steps. CLT will be asked to draw up a plan to complete the next steps as soon as possible.

6.26 For Companies the Council have a financial stake in, information is being consolidated for each stake in order to make an informed decision on next steps. This work will be progressed over the next couple of months and an update will be provided in the October Cabinet report.

Oracle

- 6.27 With the reimplementation of Oracle, there will be efficiencies through business redesign and utilising the vanilla version of Oracle, this will impact Finance, People Services and Procurement. The timeline for these improvements extends in to the 2026/27 financial year and beyond. Work is progressing to overlay the Oracle reimplementation timeline with other concurrent transformation initiatives in order to align efficiency opportunities.

Fees & Charges

- 6.28 There have been very few savings being proposed that are linked to increasing Fees & Charges, the Section 151 Officer has therefore requested that all Directorates complete a thorough review of their Fees & Charges and that all proposed increases are put forward as a saving with a delivery plan.

Plan for Mitigating the MTFP Risks

- 6.29 In conjunction with the Head of Risk we are working through the list of risks identified in the 23 July 2024 Cabinet report. As part of this we will be identifying owners for these risks and timelines for a mitigation response, this is currently being worked on and will be shared as soon as it's available.

Star Chambers

- 6.30 Over August and September each Portfolio will be subject to a Star Chamber. These sessions will be attended by the Leader, Cllr McCarthy, Cllr Pocock, the Acting Chief Executive, and the Section 151 Officer. Each Cabinet Member and their Directors will cover the following:

- a) Breakdown of budget;
- b) Savings being worked up but not yet submitted;
- c) Savings shortfalls in 2024/25 – mitigations and impact on future years;
- d) Savings currently submitted for 2025/26+ (both savings submitted on blue templates last year and further savings submitted this year); and
- e) Capital projects and new capital bids.

- 6.31 The aim of these sessions is to ensure all areas of the Cabinet Portfolios are being looked at for efficiencies and saving proposals. The output from these sessions should be additional savings where Delivery Plans will then need to be

produced by the end of September 2024. It is imperative that Cabinet Members continue to challenge Officers to identify further savings to balance the budget.

Staff Suggestions

6.32 Staff have been encouraged to put forward suggestions on efficiencies and savings for the Council. So far 186 ideas have been shared with CLT and CLT are currently working through the list and identifying next steps and which suggestions can be made into savings proposals. The latest status of the ideas is shown in Figure 2. The majority of ideas are being progressed and we expect to see savings proposals produced during September.

CLT Suggestion Status	Percentage
Already delivered - suggestion has already been successfully implemented	4%
Already in progress - suggestion is currently being implemented	32%
Will be considered - suggestion is deemed viable or promising, and will be reviewed for potential implementation	18%
Deferred - suggestion is promising but isn't currently feasible and will be postponed for future consideration	8%
Rejected - suggestion isn't aligned with the Council's priorities or isn't feasible due to other reasons	20%
Rejected - not enough detail to proceed. More information is needed	10%
Duplicated - suggestion is similar or identical to another proposal already submitted	6%

Figure 2 - Status of Staff Suggestions

7 Quarter 1 2024/25 Monitoring

7.1 On 5 March 2024, the Council agreed a net revenue budget for the 2024/25 financial year for the Council's General Fund of £1,151m, as well as the budgets for the HRA, DSG and the Capital programme.

7.2 The 2024/25 General Fund budget included savings of £149.8m. The table below outlines the position as at Quarter 1, which shows a variance to plan of £2.252m for 2024/25. As outlined above, there are a number of activities which have been identified to accelerate savings identification and delivery in-year.

Table 1 – Saving programme variations 2024/25 forecast

Directorate	Total 2024/25 Target (£m)	Total 2024/25 Forecast	Variance Month 3 (£m)	Comments
Adults Social Care	23.709	22.449	1.260	EIP Project #193 (Libraries) has a target of £1.260m in 24/25 is forecasting nil savings. This is due to additional consultation requirements and resulting delays in the implementation process. This will require corporate mitigation.
Children & Families	52.228	52.228	0.000	No variances to report, however, Children's & Families/Travel Service - #150 will not deliver £3.966m 2024/25 but this is expected to be fully mitigated by additional savings in #93/148/151/152 (all savings within the travel service).
City Housing	6.236	6.236	0.000	No variances to report.
City Operations	39.268	39.292	(0.024)	A number of projects have reported minor positive and negative variances, the net result of which is a small overachievement across the city ops portfolio.
Corporate	18.959	18.042	0.917	Reported variances in Legal (#144), insource bailiffs (#4) and voice automation in contact centres (#103) are all mitigated through one off actions in 24/25.
Cross-cutting	1.000	0.000	1.000	Corporate Procurement Project #188 - It will not be possible to deliver these cross savings during 2024/25 due to the complexity and timeframe needed to deliver contract savings and the target has been reallocated across directorate targets in 2025/26. This will require corporate mitigation.
PPS	8.365	8.365	0.000	No variances to report.
Subtotal	149.765	146.612	3.153	
One-off Mitigation			(0.901)	
Total	149.765	146.612	2.252	

7.3 The financial position forecast at Quarter One (end of June 2024) for the 2024/25 financial year is as follows:

- a) The Council's General Fund Revenue Budget, is projected to underspend by £5.1m. This is due to £4.7m underspends across Directorates (0.4% of total budgeted Directorate Net Expenditure) and £0.4m projected underspend against corporate budgets. It should be noted that the 2024/25 General Fund Budget includes a £225.9m capitalisation direction, which was approved by central government as part of the budget-setting process in March;

- b) The Housing Revenue Account (HRA) is currently forecasting a £2.7m deficit for the 2024/25 year, mainly driven by higher than expected repair costs. The forecast revenue spend on Repairs has increased to £103.7m, creating a £5.7m overspend against budget due to the high demand for repairs, particularly around damp and mould problems which is expected to continue over the medium term until the Council's planned capital investment programme is fully underway which should reduce the need for repairs. This pressure is in line with 2023/24 spend levels and the service will attempt to mitigate this in year through resource efficiencies across the HRA. An increased repairs budget has been built into future financial years to fund the demand;
- c) Dedicated Schools Grant which is projecting an underspend of £4.2m for the year. This relates to the contingency in the High Needs Block which was not allocated when the budget was set earlier this year;
- d) The capital budget for 2024/25 was set at £266.1m for the General Fund and £268.1m for the HRA. This was based on forecast spend on existing projects in 2023/24 and new projects to start in 2024/25. The Capital Outturn for 2023/24 is currently being finalised and the 2024/25 budget will be amended in light of any slippages or accelerations from that year. In addition, the capital programme for 2024/25 and beyond is being reviewed again in light of the Council's overall financial situation. This will result in a revised budget for 2024/25 (and future years) and become the basis for in – year monitoring.

7.4 Councils are having to deal with the impact of high inflationary pressures over the last few years as well as demand and demographic pressures, particularly in adults and children social care and in homelessness. In children social care for example, the costs of placements for children with complex needs continue to be a significant pressure.

7.5 For Birmingham City Council, as well as the inflation and demographic pressures mentioned above, achieving the savings approved by Council on 5 March 2024 is a key issue. Other key areas of focus for the Council include the ongoing work to improve the functionality of the Oracle ERP system and dealing with the issue of Equal Pay.

- 7.6 It should be noted that the 2024/25 General Fund Budget includes the need for a £225.9m capitalisation direction to make the budget balance. This means that, in the absence of Government intervention in the form of EFS the Council would have a forecast deficit of £220.8m.
- 7.7 Given the Council's history in relation to financial management, this position should be treated with great caution. There has been a historic tendency for the financial position to deteriorate throughout the financial year, demonstrated in part during this year through the deteriorating savings position. Further, in light of the significant budget gap for future years and reliance on EFS to balance the financial position this year, the Council must continue to push forwards.
- 7.8 To this end, the Council will continue to tightly monitor all spend throughout the remainder of the 2024/25 financial year. This means that Section 151 Officer Spend Control Boards will continue for all spend. In addition, the Section 151 Officer is recommending that additional work is completed to review the spend control arrangements within Packages of Care for Adults and Children's, Homelessness spend, and Agency spend within Street Scene.

Capital

- 7.9 As part of the Budget, City Council approved the Capital Strategy on 5 March 2024 which contained a four-year capital programme for the period 2024/25 to 2027/28 valued at £1.798 billion (£1.088 billion HRA and £0.710 billion General Fund).
- 7.10 The capital budget for 2024/25 was set at £266.1m for the General Fund and £268.1m for the HRA. This was based on forecast spend on existing projects in 2023/24 and new projects to start in 2024/25. The Capital Outturn for 2023/24 is currently being finalised and the 2024/25 budget will be amended in light of any slippages or accelerations from that year. In addition, the capital programme for 2024/25 and beyond is being reviewed again in light of the Council's overall financial situation. This will result in a revised budget for 2024/25 (and future years) and become the basis for in – year monitoring.
- 7.11 As reported previously a number of projects from the previous year have reported overspends. These will be a pressure on the revenue or capital budget in 2024/25. These were detailed in paragraph 11.6 of the report entitled 'SECTION

151 OFFICER UPDATE ON THE FINANCIAL POSITION OF THE COUNCIL – JULY 2024 & GENERAL FUND MEDIUM TERM FINANCIAL PLAN UPDATE’ presented to Cabinet on 23 July 2024.

- 7.12 A review is being commissioned into the three projects; CCTV Control Centre; City Centre Public Realm and Perry Barr Residential Scheme, to ensure lessons are learned for all existing and future council projects.

Directorate Variations

- 7.13 The below table provides a Directorate level breakdown of the Directorate variations for the 2024/25 financial year, contributing to the forecast £5.1m underspend:

Table 2 – Directorate variations 2024/25 forecast

Directorate	Original Base Budget for 24/25	Revised base budget for 24/25	Forecast Outturn for 24/25	Variation Over / Under
	£'000	£'000	£'000	£'000
Adult Social Care	475,754	475,754	466,940	(8,814)
Children & Families	384,618	384,618	389,960	5,342
City Operations	209,614	209,794	208,942	(852)
City Housing	33,860	33,860	35,094	1,234
Place, Prosperity and Sustainability	17,967	17,967	19,967	2,000
Finance, Legal & Governance, and People Services	59,787	56,515	54,973	(1,542)
Chief Operating Officer	33,483	36,371	34,595	(1,776)
Strategy, Equalities and Partnerships	7,036	7,240	6,946	(294)
Total Directorate Net Expenditure	1,222,120	1,222,119	1,217,417	(4,702)
Corporately M anaged Budgets	(71,250)	(71,250)	(71,682)	(433)
Total General Fund Net Expenditure	1,150,870	1,150,870	1,145,735	(5,135)

- 7.14 Paragraphs 7.11 to 7.19 provide reasons for the variations above:

- 7.15 **Adult Social Care – £8.8m** net forecast underspend, the key reasons are;

- a) £4.7m of forecast vacancies, largely across the Community & Operational Services and Community Services & Equality, Diversity & Inclusion divisions where there are local and national issues relating to the recruitment and retention of qualified Social Workers. The Directorate has a rolling recruitment campaign in place, and it is anticipated this will generate successful recruitment as the year progresses;

- b) £4.4m of inflation on grants that is no longer required (and offered as an ongoing saving); and
- c) £1.3m forecast overspend on Early Intervention & Prevention due to the non-delivery of savings related to Libraries.

7.16 **Children & Families – £5.3m** net forecast overspend, the key reasons are;

- a) £8.2m forecast overspend within the Birmingham Children’s Trust as a result of additional demographic growth (i.e. more children than forecast who require support) and the increasing costs of care, particularly for secure residential placements;
- b) £1.4m forecast underspend in the Performance and Commissioning Division, this is predominantly due to Schools Public-Private Partnerships (PPP) and Building Schools for the Future (BSF) contracts; and
- c) £1.3m forecast underspend in Special Educational Needs and Disabilities (SEND) division due to a number of vacancies in the service.

7.17 **City Operations – £0.9m** net forecast underspend, the key reasons are;

- a) £0.7m forecast underspend in the Neighbourhoods division through early implementation of 2025/26 savings in the Neighbourhood Development & Support Unit (NDSU);
- b) £0.1 forecast underspend in Regulation & Enforcement Division due to staff vacancies in the Environmental Health and Trading Standards team, partially offset by an overspend due to reduction in demand leading to a reduction in income within Bereavement and Pest Control; and
- c) £0.1m forecast underspend due to staff vacancies within the Community Safety Division.

7.18 **City Housing – £1.2m** net forecast overspend, the key reasons are;

- a) £1.9m forecast overspend on Temporary Accommodation, due to net growth in 2024/25 being 23 accommodation requirements per week. This is despite prevention rates being at 53% of presentations so far this year. The level of Temporary Accommodation tenancies is currently at 5,700 and is forecast to increase to 6,600 by the end of this financial year. Places are allocated in cheaper forms of accommodation first such as hostels,

dispersed and leased properties but as these placements are fully utilised the only option available is to use bed & breakfast. The provision of bed & breakfast accommodation is forecasting a overspend of £2.1m against budget. Measures have been implemented to mitigate the overspend with block booking of bed & breakfast placements which secure lower rates but the demand overall for Temporary Accommodation in this first quarter has increase by 292 tenancies; and

- b) Partially offset by £0.7m forecast surplus on Shelforce. The updated business plan is expecting to generate a further surplus due to increased orders for fittings to Housing Revenue Account (HRA) owned properties through the Repairs and Maintenance contract.

7.19 **Place, Prosperity, and Sustainability – £2m** net forecast overspend, the key reason is;

- a) Unfunded revenue costs including utilities, business rates, security, and maintenance charges within the Perry Barr Residential Scheme (PBRs).

7.20 **Finance, Legal & Governance, and People Services – £1.5m** net forecast underspend, the key reasons are;

- a) Finance Directorate, is forecasting a £1.8m underspend. This underspend relates to a range of factors, including vacancies in the Revenue and Benefits service, due to delays in recruiting enforcement agents and trading surpluses across Cityserve, Birmingham City Labs and Catering; and
- b) This is partly offset by a £0.2m forecast overspend in Legal & Governance Directorate due to a slippage in savings delivery.

7.21 **Chief Operating Officer – £1.8m** net forecast underspend, the key reasons are;

- a) The Digital Technology Services Division is forecasting a £1.4m underspend driven by capital project delays and existing staff vacancies due to recruitment delays. There is a forecast under-delivery of saving caused by the unachieved 5G small cells and LoRoWAN saving #175; and
- b) The Customer Services and Business Support Division is forecasting an underspend of £0.3m, this is driven by early achievement of the reconfiguration of the business support savings target.

7.22 **Corporate Budgets – £0.4m net** forecast underspend, the key reasons are;

- a) There is a forecast underspend of £1.4m on the Transport Levy paid to the West Midlands Combined Authority, due to late notice of the anticipated Levy; and
- b) Non-delivery of £1.0m savings related to the cross cutting Procurement saving. The service has indicated it is not possible to deliver this saving during 2024/25 due to the complexity and timeframe needed to deliver contract savings, and Procurement savings are being restructured for 2025/26 onwards as a route to enabling Directorate savings.

8 2024/25 General Fund Budget Virements

- 8.1 As per the Council's Constitution, budget virements need to be approved by Cabinet. Within Part D of the Constitution (Financial, Contract & Procurement Regulations), Appendix A notes that revenue budget virements require Cabinet approval if the value exceeds £500k and, in some cases, including re-allocation between Directorates, if the value exceeds £200k. This report summarises all of the budget virements made in the first quarter of the 2024/25 financial year.
- 8.2 These virements are required to ensure that budget allocations are set against the correct cost centres within the General Ledger. Completing these virements does not affect the policy decisions made within the budget.
- 8.3 Details of the budget virements that require approval by Cabinet are laid out in **Appendix 5**. Further detail can be provided to Cabinet members on request

9 Write Offs

9.1 The Council regularly reviews existing debts from Council Tax and Business Rates, Housing Benefit, Rent, and Sundry Debts. In a small number of cases, the decision is made to write off these debts, based on the likelihood of recovery. The write off process is:

- a) To write off any debts under £10k, approval is sought from the Deputy Section 151 Officer;
- b) To write off any debts between £10k and £25k, approval is sought from the Section 151 Officer;
- c) To write off any debts of more than £25k, Cabinet approval is sought (in this report); and
- d) In recognition of the Council's current spending controls, these requests have been approved by the Section 151 Officer Spend Control Board prior to coming to Cabinet.

9.2 The schedule at **Appendix 6**, summarises debts recommended to Cabinet for write-off of over £0.025m for Quarter One of the 2024/25 financial year and for the 2023/24 financial year. These include:

- a) Council Tax and Business Rates – a total of £12,897,448.01 up to and including financial year 2023/24. (A breakdown by year is available in **Appendix 6, Section 1**)
- b) Housing Benefit – a total of one separate Housing Benefit debt of £35,000. (Further details in **Appendix 6, Section 2** refers)
- c) Rent – no debts are recommended to Cabinet to write off.
- d) Sundry Debts – a total of £1,040,550.54 of debt is recommended to be written off. (Further details in **Appendix 6, Section 4** refers)

9.3 The schedule at **Appendix 6**, also summarises debts that were written off by officers within delegated financial limits, for information.

10 Public Consultation and Engagement

- 10.1 Individual changes to Council services flowing from the budget may require consultation, where the Council is subject to a duty to consult, in relation to an individual service area or decision. The Council will consult on any proposed changes to services where required to do so. The time for any such consultation is not when making the headline departmental budgetary allocations, but when deciding on the implementation of each department's budget by decisions as to specific services. Any consultations will be 'Gunning' compliant, following the principles set out in case law.
- 10.2 The Council in setting the budget is not finally fixing where the proposed savings will come from, although provisional plans will identify likely sources of savings in each Directorate. If it is decided to not proceed with a particular savings proposal, then the Directorate concerned will identify suitable alternatives. There will be sufficient flexibility for the location of savings to change in the final decision.

11 Next Steps

- 11.1 The updated status of the 2025/26 budget setting timetable can be found at **Appendix 1** to this report.

Proposal and Reasons for Recommendations

- 11.2 As outlined above, this report provides an updated status on the Council's financial position that should be noted by Cabinet. It is critical that action is taken on receipt of this report by Cabinet to ensure credible and deliverable proposals are available to be considered by Cabinet in October 2024 and City Council in February / March 2025.

Other Options Considered

- 11.3 No other options are to be considered as part of this report.

12 Risk Management

- 12.1 There remains significant uncertainty in respect of public spending levels and the level of funding for local government and therefore the assumptions outlined in this report will be subject to continual review over the coming months to ensure

that the Council's short term and medium term financial stability can be protected and critical services delivered.

13 Member Engagement

Overview and Scrutiny

- 13.1 Overview and Scrutiny are being engaged as part of the 2025/26 budget setting process, and as such this report will be considered in future meetings.

14 Impact and Implications

Finance

- 14.1 The detailed financial implications have been covered throughout the report.

Legal

- 14.2 A local authority is required under the Local Government Finance Act 1992 to produce a balanced budget.

Equalities

- 14.3 There are no specific equalities implications arising from this report. Any equalities implications will be identified as specific budgets are developed.

Procurement

- 14.4 There are no procurement issues arising directly from the contents of this report. Any procurement implications will be identified as specific budgets are developed.

People Services

- 14.5 There are no specific human resources implications arising from this report. Any Human resource implication will be identified as specific budgets are developed.

Climate Change, Nature and Net Zero

- 14.6 There are no specific climate change, nature and net zero implications arising from this report. Any climate change, nature and net zero implications will be identified as specific budgets are developed.

Corporate Parenting

- 14.7 There are no specific corporate parenting implications arising from this report. Any corporate parenting implications will be identified as specific budgets are developed.

15 Appendices

- 15.1 Appendix 1 – Budget Timeline for 2025/26
- 15.2 Appendix 2 – Savings Brought forward for 2024/25
- 15.3 Appendix 3 – MTFS Principles Action Plan
- 15.4 Appendix 4 – Additional Pressures for 2025/26 and 2026/27
- 15.5 Appendix 5 – 2024/25 General Fund Budget Virements
- 15.6 Appendix 6 – Write Offs

16 Background Papers

N/A