

# Birmingham City Council

## Finance and Resources Overview and Scrutiny Committee

Date 27<sup>th</sup> July 2023



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**Subject:** Medium Term Financial Plan (MTFP) Refresh – update to Cabinet at Quarter 1 of the 2023/24 Financial Year

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

**Report author:** Peter Sebastian, Head of Financial Planning (interim)

### 1 Purpose

- 1.1 To update Finance and Resources Overview and Scrutiny Committee on 27<sup>th</sup> July on forecast budget pressures and inflation forecasts over the current financial year (2023/24) and the next four financial years that make up the Medium-Term Financial Plan (MTFP) period.

### 2 Recommendations

- 2.1 Note the MTFP budget pressures (inflation, savings, directorate pressures, Collection Fund update), as well as the Quarter One 2023/24 position (which provides a high-level assessment of a budget gap for this financial year) (**Section 5 of the attached report**);
- 2.2 Note the wider financial position of the Council, in terms of capital expenditure and available corporate resources, which demonstrate that the additional Equal Pay liability, alongside MTFP budget pressures, cannot be found within existing BCC resources (**Section 5**);
- 2.3 Note the work carried out to date to assess the potential scale of additional Equal Pay liabilities (**Section 4**);
- 2.4 Consider and note the mandatory spending controls which came into effect from 5 July 2023 (**Section 6**);
- 2.5 Consider and note the robust Budget Savings & Recovery Plan – to close the forecast budget gaps in the current financial year and future financial years– as per the timetable included in this report (**Section 6**); and
- 2.6 Note the 2024/25 budget-setting timetable, including the dates for the implementation of the recommendations in this report (**Section 7**)

### **3 Any Finance Implications**

- 3.1 The report (Appendix A) shows forecast budget pressures and inflation forecasts over the current financial year (2023/24) and the remaining financial years that make up the MTFP. It is projected that there is in-year budget shortfall of £87.4m in 2023/24, rising to £164.8m in 2024/25, reflecting the extent to which the costs of current service provision exceed the funding levels. These projected budget shortfalls do not reflect any additional costs relating to Equal Pay, including potential future liabilities as well as the cost of implementing any scheme of job evaluation.
- 3.2 The significant and additional forecast liability for Equal Pay claims are estimated to be between £650m and £760m. The Council has engaged with its External Auditors and is having ongoing discussions with the Department of Levelling-Up, Housing and Communities (DLUHC).
- 3.3 It is for this reason that this report supports the implementation of mandatory spending controls to give the Council time to further review financial pressures (including finalising the details of the Equal Pay liability) and mitigations.
- 3.4 In addition, this report recommends the implementation of a Robust Budget Savings & Recovery Plan to tackle existing budget pressures and the financial implications of the additional Equal Pay liability. This Plan sets out a series of activities that need to be delivered over the next five years to achieve financial stability within the Council, reviewing all aspects of BCC's financial management systems, processes and capability. This Plan will also seek to tackle financial pressures and rebuild corporate reserves over the medium term.

### **4 Any Legal Implications**

- 4.1 These are included in Appendix A.

### **5 Any Equalities Implications**

- 5.1 These are included in Appendix A.

### **6 Appendices**

- 6.1 A – Report to Cabinet on Medium Term Financial Plan (MTFP) Refresh – update to Cabinet at Quarter 1 of the 2023/24 Financial Year