

Birmingham City Council

Cabinet

14 November 2023



Subject: Section 151 Officer Update on the Financial Position of the Council – November 2023

Commissioner Review

The Directions regime has been in place in Birmingham City Council for four weeks. In that time, Commissioners have begun to understand the scale of the challenges facing the authority, highlighted by Oracle and Equal Pay but also a range of other matters that are only now being surfaced. One issue that has struck Commissioners as requiring a radical step-change in approach is the financial management of the organisation. The in-year challenges have been well publicised in the build up to the Council's 114 notice. However, for the first time, this paper sets out the stark position the Council finds itself in over the medium term. Commissioners have noted that there has been very limited progress in developing options to close the budget gap for 2024/25 and subsequent years. Without significant action by both Members and Officers, it will be extremely difficult to set a lawful budget for the forthcoming year. Even doing this is likely to require decisions from Ministers and the financial consequences of this will need to be recognised.

The Council at pace must now identify viable savings options for both 2024/25 and 2025/26. All members of the corporate leadership team and Cabinet must grip this challenge and evidence practical, tangible progress in the next month. In doing so it must move away from the current focus on annual budgets, ensure savings are robust and resources are available to deliver savings in line with the budget. The time available to do this is extremely limited. Commissioners require that;

- Cash savings targets that include some head room are issued to Departments for both 2024/25 and 2025/26 with the instruction that Departments must identify credible savings options.
- A clear budget timetable is set that includes time for political consideration of savings and also due diligence by officers. The timetable in this report is a

positive starting point, but could usefully include more references to the Housing Revenue Account and Capital Programme.

- The organisation identifies project management resource to deliver what will inevitably be an extensive transformation programme that will last some years.

Previous budgets have been characterised by undeliverable savings and understated service growth and inflation. In addition to the focus on savings the council must properly use data to;

- Ensure service growth forecasts are robust
- Inflation assumptions are prudent
- The current base budget has been reviewed to ensure the council is not building on a budget that is structurally unsound.

All the above need to be completed at pace and the senior leadership at the Council must lead and fully support the process. This must be supported by a clear communications plan.

The position set out in this paper will have profound impacts for how the Council does business. The authority is no longer in a position to embark on any significant prudential borrowing with a consequent impact on all capital programmes that are not 100% funded by external to the Council resources. The council needs to review the existing capital programme and prepare an asset strategy that reflects this position. In addition, an orderly, targeted approach to asset disposals must begin this calendar year to generate the capital receipts that will be required to reduce the need for unsupported borrowing and to reduce the revenue consequences of debt. Commissioners believe that with the right leadership the budget can be brought into balance and although there will inevitably be some difficult decisions many services could deliver better outcomes for the citizens at lower cost.

Commissioners require that updates on the financial position be reported to every cabinet meeting going forward, until a stable and deliverable budget can be managed without support. The December report should focus on the latest financial position, 2023/24 in year savings, progress with the timetable set out in this report and steps taken to ensure resources are available to deliver the savings and transformation required.