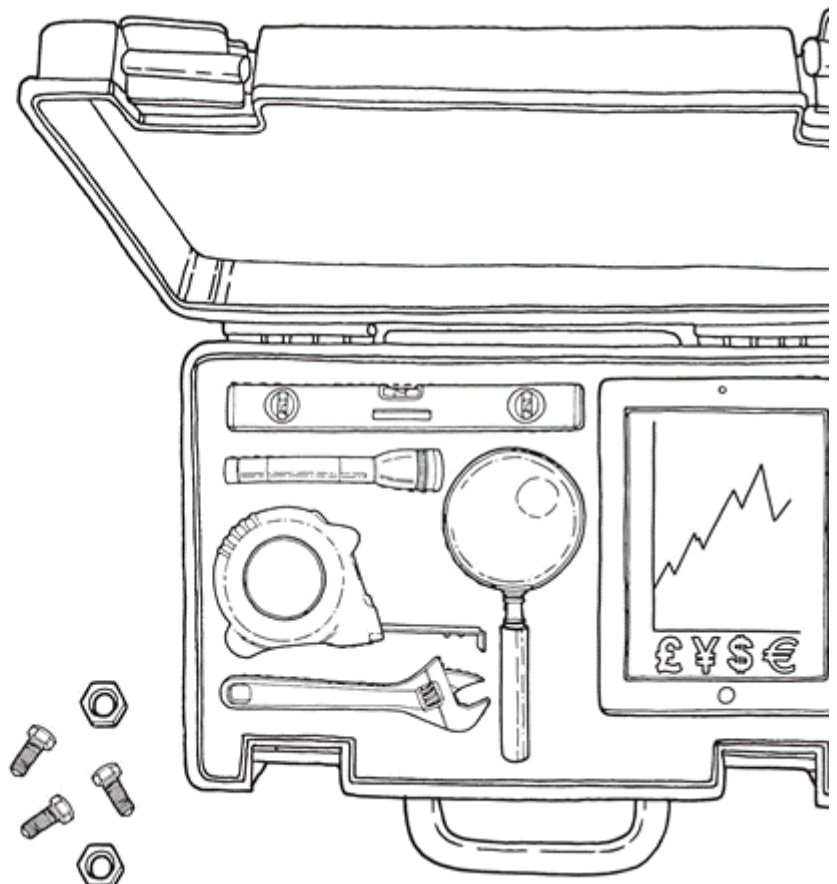


# Financial Management Capability Birmingham City Council

May 2021



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# Executive Summary

From March to May 2021, CIPFA conducted a Financial Management Capability Review (FMCRA) at Birmingham City Council building upon a previous review carried out by CIPFA between October 2018 and April 2019. Within the 2018/2019 assessment exercise, CIPFA concluded that Birmingham, would be rated as a ONE STAR organisation as assessed against CIPFA's FIVE STAR World Class Financial Management programme.

## Financial Resilience

As part of our updated assessment we assess financial resilience from the evidence collected for the CIPFA FIVE STAR Financial Management model. The review of Birmingham City Council's financial resilience as part of the reassessment encompassed three key areas:

- Adequacy of reserves
- Robustness of the Medium-Term Financial Strategy (MTFS)
- Planned efficiency savings and transformational change

Birmingham City Council faces significant financial resilience challenges including the need to bridge an emerging structural deficit in the face of growing operational pressures. Legacy constraints on Prudential Borrowing, the impacts of emerging service pressures together with medium and longer term impacts of Covid-19 and the need to deliver significant efficiency savings against that backdrop, will present significant challenges. Notwithstanding the emerging structural deficit arising from 2023/24, as highlighted by the Financial Plan 2021-2025, Birmingham now has a highly considered financial strategy, an advanced approach to the management of reserves and a significantly improved grip on Financial Management. Strong financial management capability has been rapidly developed and this has transformed Birmingham's overall financial resilience. We would now consider that Birmingham's overall financial resilience to be MODERATE and is fully reflected through our CIPFA Financial Management Model assessment criteria.

## Financial Management Capability

As at May 2021, we have reassessed Birmingham City Council as a THREE STAR rated organisation against CIPFA's FIVE STAR Financial Management Model of global best practice – up from ONE STAR in April 2019. CIPFA has independently assessed 90 organisations against world class best practice using its Financial Management Model. On a comparative basis, the average statement scoring would place Birmingham just within the top quartile for comparable organisation scoring at this point in time.

Over the last two years the core finance function at Birmingham has moved on from delivering the more traditional stewardship aspects of financial management that had evolved through keeping the operational services 'safe', ensuring that the organisation works within its approved financial targets, to a much more mature and dynamic supporting and enabling service that drives diffused financial management. Our evidence strongly points to a significant improvement having been achieved on Financial Management capability including improved accountability for financial performance across the services. Indeed, there has been a highly significant improvement in the Supporting

Performance Financial Management style which is a hallmark of a high level of effective Financial Management capability.

Our reassessment identified six specific strengths. Some areas previously identified as weaknesses have been significantly developed to become strengths. These include the rapid development of the effectiveness of the Business Partnering function and refocusing on the wider Finance function. Unlike the issues highlighted within our April 2019 assessment, the five 2021 development issues are not predominately interlinked and are more aligned to continuous improvement than core fundamental good practice compliance change. These development areas, in context, do not materially impair the high level of effectiveness of Financial Management capability that now exists at Birmingham or the THREE Star status achieved within our assessment given the high average model statement scoring achieved.

Given the grip, pace and progression (including the ongoing Target Operating Model Project for the Finance function) it is envisaged that if this level of progress from a 2019 baseline is maintained, Birmingham has real potential to achieve FOUR STAR Status by September 2022, subject to the current trajectory of improvement and the areas for further development highlighted within this report being substantially addressed.

In summary, Birmingham City Council has made great strides in addressing the issues that constrained overall financial management capability. We would conclude that this progression highlights a highly commendable response to issues arising from our April 2019 assessment. It would be our considered view that Birmingham City Council should be considered to be an exemplar in the transformation of financial management capability given the extent of improvement achieved over the last two years.

# Introduction

## About this Report

This report outlines an updated assessment of Birmingham City Council's financial management capability, first conducted within 2018/19 and reported in April 2019. We have expanded this reassessment within a wider Financial Management Capability Review (FMCRC) which seeks to provide a view on Financial Resilience based on the evidence obtained in assessing overall Financial Management capability.

The FMCRC encompasses a review of the organisation's Financial Resilience and Financial Management and this report sets out findings in respect of each element. It seeks to highlight key observations, issues and recommendations, along with a more detailed Improvement Plan which will be assimilated within Birmingham City Council's existing improvement planning arrangements.

## Background

Birmingham City Council is the largest local authority in the UK and is comprised of 101 councillors in what is the UK's second largest city and is the West Midlands regional capital. Politically there is a Labour Party majority with 65 Councillors and the members represent over 1.2 million people, in 40 wards covering some 440,000 households with some 200,000 children attending school. Birmingham City is the UK's largest landlord with approximately 60,000 council owned dwellings. Council services are delivered through some 25,000 staff.

The revenue income requirement to fund all Council services is approximately £2.96 billion for 2021/22 and Council Tax Band D was set at £1,748.19. In 2019/20, on an overall activity quantum of approximately £3 billion, Birmingham outturned a total net underspend of £23.6m reduced to £11.5m after a net transfer to reserves of £12.1m. We are led to understand that the 2020/21 outturn position is similar in that a marginal underspend is being reported within the draft statement of accounts. In terms of investment, total expenditure on capital projects in 2019/20 was £432.3m which was up from the 2018/19 equivalent despite the impact of Covid-19 pandemic.

In setting its 2021/22 budget the Council have committed to delivering some planned £33 million of savings in 2021/22 within a four-year financial strategy delivering savings target of £190.5 million.

The Commonwealth Games Federation announced in 2017 that it had selected Birmingham as the host city partner of the XXII Commonwealth Games in 2022 and the City Council has been pivotal in helping deliver the major supporting infrastructure work required.

## What is the FMCRC?

The FMCRC is an independent 'as-is' assessment of a Council's capability to effectively manage its current finances, internal process and operations, as well as how it plans future financial management. Key outputs include identification of areas of best practice and areas for improvement. The FMCRC at Birmingham City Council was conducted over a three month period from March to May 2021. The assessment is based on the CIPFA Global FIVE STAR Financial Management Model (FM Model) best practice.

In updating a previous assessment reported in April 2019, CIPFA obtained the following background evidence from Birmingham City Council:

- Electronic survey – 84 contributors in scope
- One-to-one interviews – 42 interviewees with Birmingham City Council members and staff
- Documents– (38) e.g., Medium-Term Financial Strategy, Budget Monitoring etc.

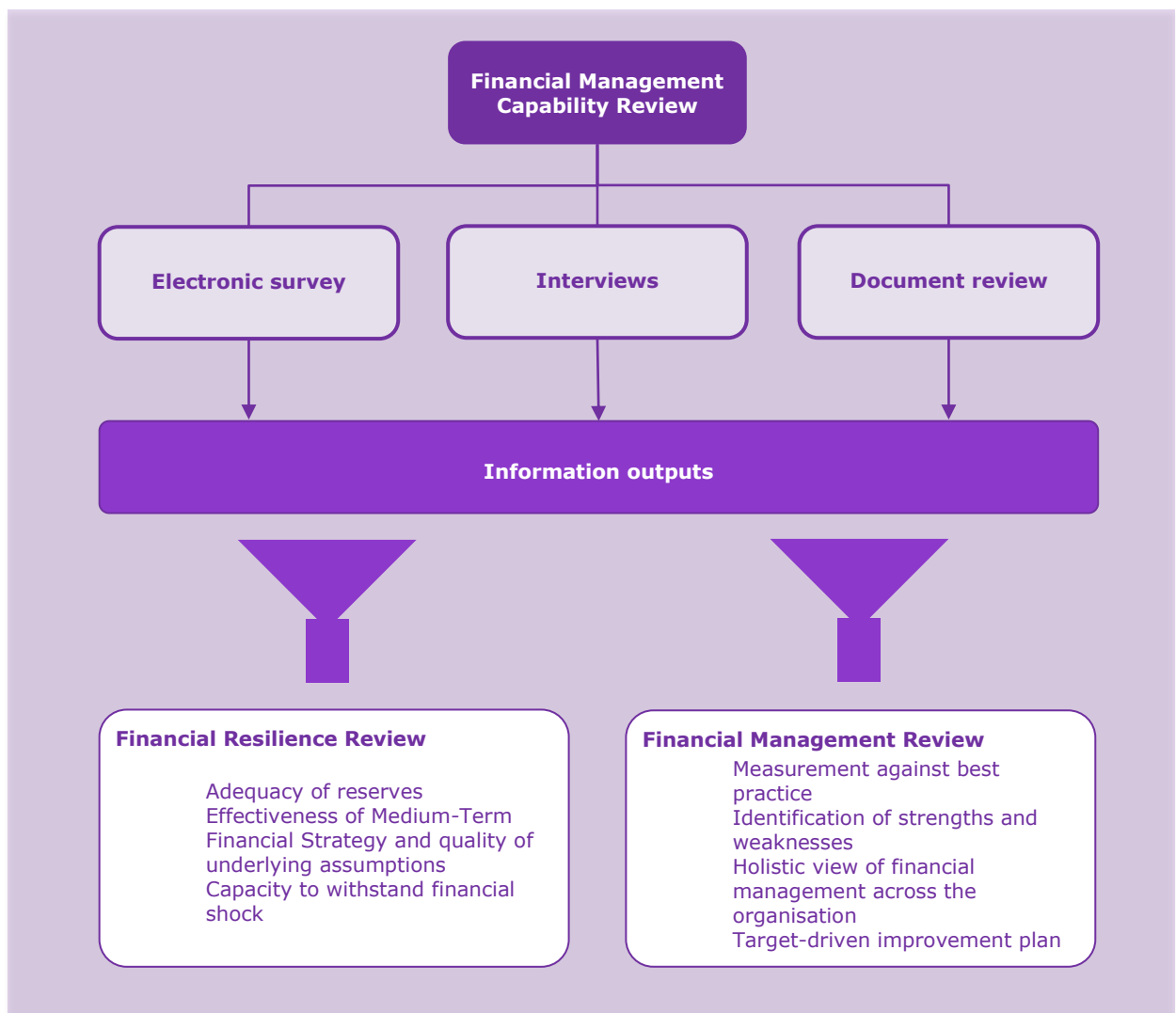
More detailed information on the response to the electronic survey, those interviewed and the documents reviewed can be found in the Appendix I: FMCR Information Sources. Further information about the FMCR approach is set out below.

# Financial Capability Review Approach

## How is the FMCR conducted?

As explained by the diagram below, the FMCR consists of two elements:

- **A financial resilience review** – an assessment of the financial sustainability of an organisation and its ability to withstand financial shock
- **A financial management review** – an updated assessment against best practice and other organisations who have also been reviewed using the CIPFA FIVE STAR Financial Management Model (FM model) to identify issues and create an improvement plan that can be tracked



# Financial Resilience

## Key Findings

The review of Birmingham City Council's Financial Resilience within the overall Financial Management capability assessment encompassed three key areas:

- Adequacy of reserves
- Robustness of the Medium-Term Financial Plan (MTFP) – Financial Plan 2021-2025
- Planned efficiency savings and transformational change.

Although we have full confidence that Birmingham can fully meet its balanced budget obligations for 2021/22, the City faces significant financial challenges ahead as it has an underlying medium term structural deficit, impacts of the 'tail of Covid-19 pandemic and growing service demand pressures. There are a number of factors that influence the City's ability to deal with such challenges. We have outlined our review findings arising from our Financial Management Model assessment across each of these areas that impact financial resilience below:

Summary	Key points
<b>Adequacy of reserves</b>	
<b>Adequacy of reserves</b>	<ul style="list-style-type: none"><li>• Within an overall General Reserve which excludes earmarked reserves, Birmingham is estimated to hold some £179.375 million as at March 2021. Within this Corporate General Fund, Balances equate to £38.382 million which is approximately 4.6% of Net General Revenue expenditure. A prudent position has been taken to provide for known pressures. There is a sophisticated approach taken in the management of the overall reserves position which is projected to stand at some £901.991 million by the end of 2020/21.</li><li>• Birmingham's position on managing reserves is considered to be robust and follow good practice particularly in the delineation of Covid-19 funding and pressures.</li></ul>
<b>Robustness of the MTFP</b>	
<b>MTFP Modelling</b>	<ul style="list-style-type: none"><li>• The Financial Plan 2021 – 2025 represents a detailed and realistic high level four-year medium term with an extended 10-year profile</li><li>• The financial modelling incorporates core assumptions through an assessment of risk and is fully linked to the objectives that are core to Birmingham City Council Delivery Plan 2020-2022</li><li>• The Plan identifies a structural deficit position starting in year 3 (2023/24) and platforms a range of efficiency savings and the overall direction of travel using the 2021-2025 Financial Plan is highly likely to yield approaches that have a high probability of bridging 'the gap'</li><li>• Still some way to go in integrating service planning and core strategies</li><li>• Legacy constraints on Prudential Borrowing leaves Birmingham City with lower capability in terms of overall headroom to optimise its capital programme investment but that is more than counter</li></ul>



balanced by strategically effective funding strategies and approach to managing reserves and efficiency savings

- Overall, the current Financial Plan is considered to be robust and will be highly effective in, the context of strong financial management capability, in successfully creating strategies that will meet any emerging structural deficit position

### Planned efficiency savings and transformational change

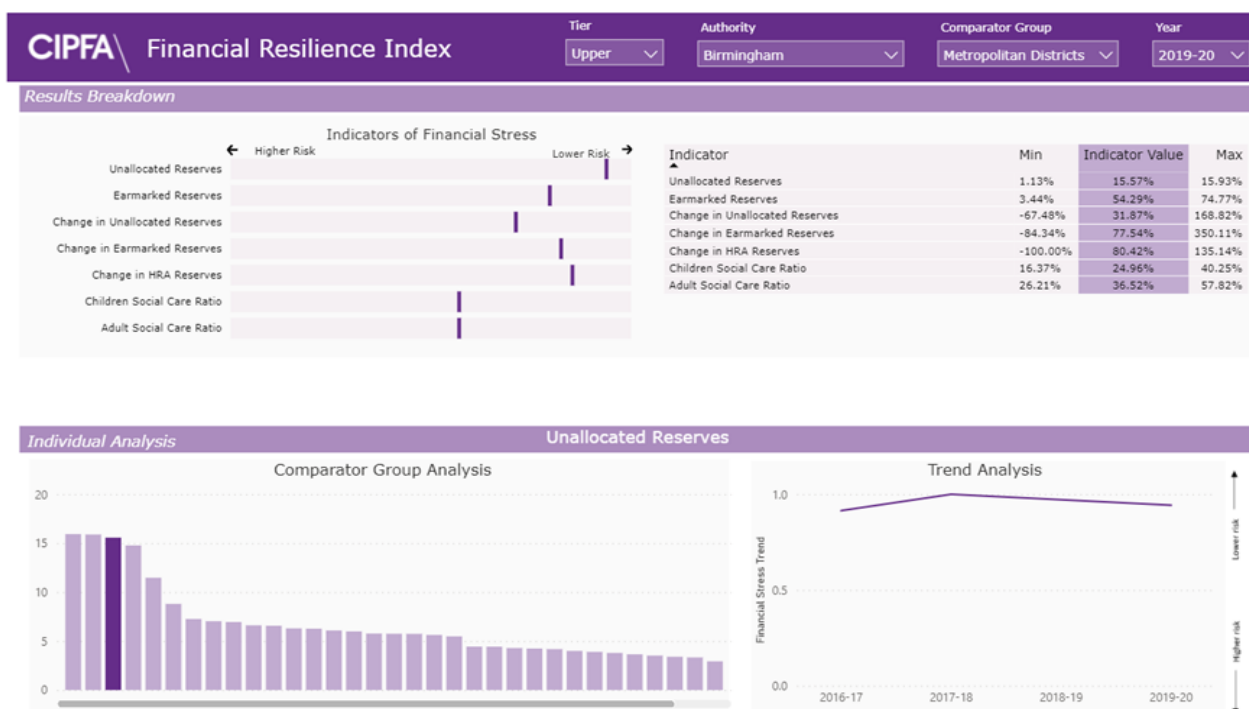
#### Planned efficiency savings and transformational change

- Planned savings of approximately £190.5 million are profiled to be delivered by the end of 2024/25
- A robust approach has been taken on 'front end' formulation of savings proposals with services supported by Business Partnering
- Effective tracking through a star chamber scrutiny process that is considered to achieve 'grip' and improved accountability
- Mature approach to transformational change through reengineering services

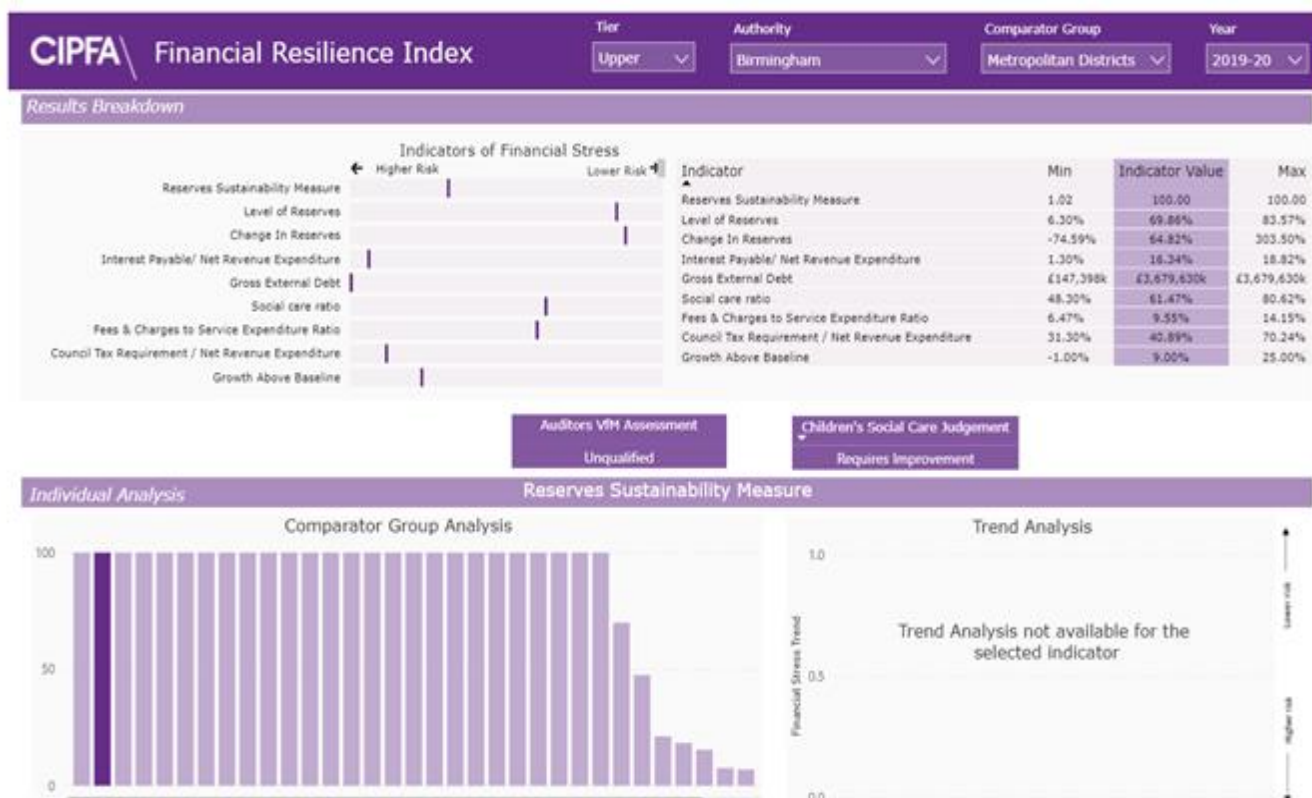
## Adequacy of Reserves

### Consolidating stability

At the end of 2019/2020, Birmingham City's Council's overall General Unallocated Reserves pitched at some 15.6% of Net Revenue spend, as at March 2020. The indicators of financial stress highlighted through the CIPFA Financial resilience index to 2019/20 show relatively low levels of risks relative to reserves as highlighted below and on a comparative position amongst the top quartile of the comparator group:



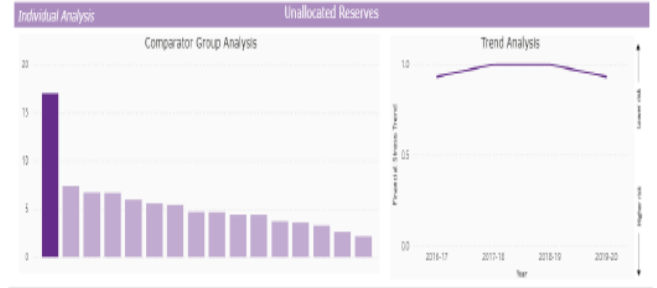
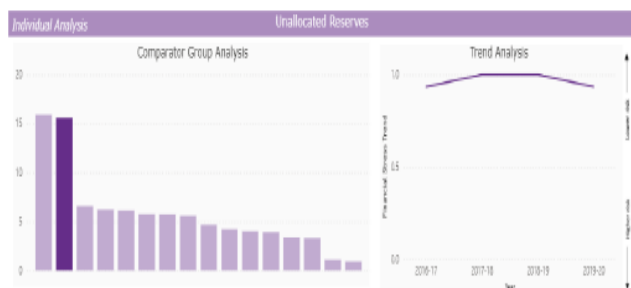
This is indicative of an approach that generates stability and overall resilience in the face of significant legacy debt and a highly geared Council Tax to Net Revenue expenditure requirement, albeit the Reserves Sustainability Measure is pointing to higher risk:



Birmingham's own internal analysis of the CIPFA data picked up that whilst PRIMARY Indicators are broadly similar comparing 2019 to 2021, however SECONDARY indicators reveal positive incremental change:

2021

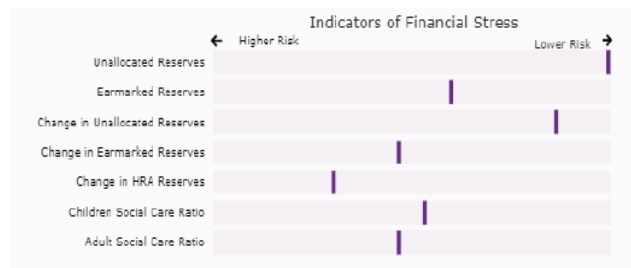
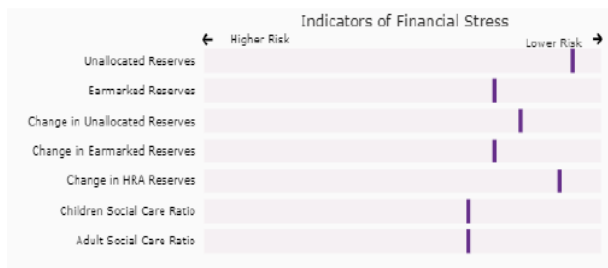
2019



Changes on the positioning of SECONDARY Indicators from 2019 have been positive:

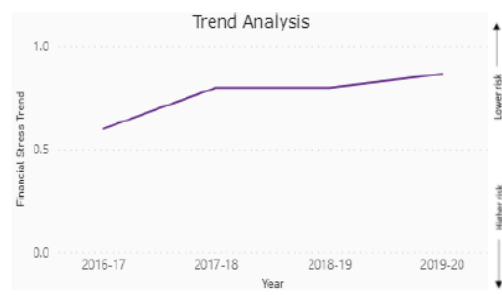
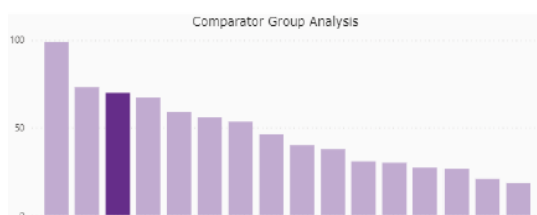
2021

2019

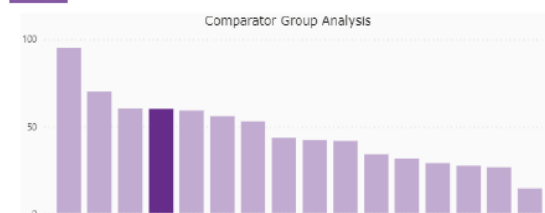


On changes to reserves, a comparative analysis shows a similar positive direction of travel albeit within the comparator group level:

2019-20



2018-19



Overall the reserve strategy at Birmingham is highly considered and the earmarking of funds including the impact of Covid-19 pandemic grants and recycling of linked funds are assessed as prudent and good practice. Year-on-year positions including a tracking of the growth/depletion of non-earmarked/earmarked General Fund Reserves are highlighted below:

Year	Net Spend	Surplus/(Deficit)	Movements General Fund Non earmarked	Movements General Fund earmarked
2016/17	£869.6 million	£87.2 million	£100.8 million	£136.2 million
2017/18	£553.8 million	£96.2 million	£130.9 million	£169.9 million
2018/19	£935.8 million	£112.4 million	£144.0 million	£106.5 million
2019/20	£783.5 million	£83.4 million	£141.7 million	£193.1 million
2020/21	£828.7 million	Forecast £0 million	£179.4 million	£390.0 million
Total reserve movement			(£12.3 million)	(£9.6 million)

## Robustness of the MTFP 2021/22 to 2024/25

The Birmingham City Finance Plan 2021/22 to 2024/25 is a four-year medium term financial plan with an extended 10-year profile. The impact of Covid-19 and the recalibration of service demand pressures have been incorporated within the Plan and the vision for the financial modelling is framed within the six priorities that are core to the Birmingham City Council Delivery Plan 2020- 2022:

- An entrepreneurial city to learn, work and invest in
- An aspirational city to grow up in
- A fulfilling city to age well in
- A great city to live in
- A city whose residents gain the most from hosting the 2022 Commonwealth Games
- A city that takes a leading role in tackling climate change

### **Architecture and robustness of modelling**

In terms of the strength of financial modelling, our assessment on the 2021-2025 Financial Plan included the identification and testing of key assumptions used within the modelling. The core high level assumptions were deemed to be prudent and the overall model appears to be comprehensive and well-constructed. Compared to the 2019 position, the Plan is significantly more transparent and robust. On good practice, the setting of the annual budget and extended rolling MTFP should have the following characteristics and we found these substantially in place during our assessment:

- Full participation of budget holders in the budget formulation process in a way that enables full ownership to take place
- Being founded upon operational service planning objectives, within a 'bottom up approach' formulation
- Stress tested core assumptions (sensitivity analysis) within flexing of potential outcomes across a number of core variables - risk assessment of material items of income and expenditure inform budget setting, and their reporting to the board with financial implications, mitigating actions and contingency provisions
- Forecast or actual budget variances and trends are fully reflected in the budget setting process
- Reporting of cashable efficiency gains reconciled with and fully reflected in the budget setting process
- Revenue consequences of the capital programme and other expenditure commitments, including the consumption of capital (e.g. depreciation) fully reflected in revenue budget
- Incorporating, where possible, aspects of outcome and/or zero based budgeting
- Annual budget construction being embedded within a rolling and dynamic Medium Term Financial Plan (MTFP)

## CIPFA Financial Management Code

Aspects of good practice are also reinforced within the CIPFA Financial Management Code<sup>1</sup> including the requirements to attest to the viability of budgets set and the robustness of the MTFP. Having looked at Financial Management Code framework, it would be our considered opinion that Birmingham can now demonstrate strong compliance with the code and substantially meet the above good practice attributes set within the CIPFA Financial Management Model. Marked improvements in the delivery of good practice, especially within the last two years have significantly strengthened the effectiveness of Birmingham's Financial Strategy. Key improvements noted have been in the following areas:

- Advanced corporate finance skills in delivering an approach to managing reserves including a full range of contingency reserves including the Financial Resilience Reserve
- Strong Capital and Treasury Management

## Previous savings delivery

Within our 2018/19 assessment we previously identified difficulties in delivering real savings that were 'cashable'. The Financial Plan identifies the tracking from 2016/17 to 2020/21 with the obvious impacts on 2019/20 from the drag arising from Covid-19<sup>2</sup>:

	Planned Savings	Savings Delivered	
	£m	£m	%
2016/17	88.2	32.4	37%
2017/18	70.9	48.3	68%
2018/19	52.9	42.8	81%
2019/20	46.2	38.7	84%
2020/21*	22.1	17.2	78%

The 2021-2025 Financial Plan commits to some £190.5 million of planned savings to 2024/2025. Whilst this may seem to be ambitious, in historical context, the *"Financial Plan 2021-2025 reflects a realistic position for the savings programme going forward."*<sup>3</sup> As is highlighted separately below, this is a statement which we would substantially concur with.

<sup>1</sup> CIPFA Financial Management Code - <https://www.cipfa.org/policy-and-guidance/publications/f/financial-management-code>

<sup>2</sup> Birmingham City Council – Financial Plan 2021 – 2025 Page 14: Para 2.8

<sup>3</sup> Birmingham City Council – Financial Plan 2021 – 2025 Page 14 : Para 2.9

## Assessment of funding changes on services and management of external funding

A key strength that has emerged within the last two years is the ability of the services to assess the likely service change requirements together with a corporate approach to optimizing external funding including the management of funding with the reserve strategy. This has been ably demonstrated in two areas:

- Impact of strong Business Partnering and improved service accountability
- Corporate focus on optimizing external grant sources

## Budget pressures

The Financial Plan clearly signposts budget pressures that will be faced moving forward<sup>4</sup>:

Categorisation	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Demography	19.171	27.921	36.761	45.511
Member priorities	19.044	54.234	4.048	4.048
Rebasing	17.969	18.891	18.866	18.866
Revenue cost of redundancy	9.281	3.194	0.750	0.000
Time limited resources	7.137	(2.707)	(8.218)	(9.679)
Change in legislation or regulation	4.753	6.127	7.460	5.790
Pension Fund	3.079	3.548	3.651	3.826
Savings non-delivery	1.635	0.768	(0.260)	(0.148)
Pressures resulting from COVID 19	0.423	0.152	0.152	0.000
Revenue cost of capital projects	(1.134)	2.618	4.702	4.702
Invest to Save (including repayments)	(15.799)	(15.943)	(17.329)	(16.348)
Other	3.584	3.327	4.014	6.089
<b>Total</b>	<b>69.143</b>	<b>102.130</b>	<b>54.597</b>	<b>62.657</b>

Social Care (Adults and Children's Trust) pressures are well highlighted, as are Education and Homelessness, within the model and the assumptions are embedded within the overall high-level modelling. From our experience Social Care costs and associated demand management are routinely at the very top of the list of challenges faced by relevant local authorities throughout the UK. This is an area that Birmingham City Council appears to be able to effectively manage exposure through highly effective 'front-end' prevention strategy investment.

Looking at these within the round, there appears to be a highly considered approach taken by the services to deliver forecasts on horizon scanning. This approach has been possible due to the high level of Business Partnering effectiveness (though challenge and validation) and the significantly more enabling role played by the corporate finance function.

## Structural Deficit

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<sup>4</sup> Birmingham City Council – Financial Plan 2021 – 2025 Page 23: Para 2.9

The Financial Plan identifies an emerging structural deficit, some of which will be met with savings that have been formulated. Appendix A of the Plan highlights a 10 year profile on key metrics. The structural gap is clearly identified and within the specific 4 year scope of the Financial Plan it is clear that a material gaps begins to emerge in 2023/24 and 2024/25 of £76 million and £81 million respectively<sup>5</sup>:

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
Base Budget 2020/21	852.933	852.933	852.933	852.933	852.933	852.933	852.933	852.933	852.933	852.93
Pay & Price Inflation	27.717	57.787	87.072	117.722	152.275	185.852	220.936	260.625	299.094	339.76
Meeting Budget Issues and Policy Choices	69.143	102.130	54.597	62.657	71.815	81.372	90.107	99.174	108.262	117.30
Savings Plans	(33.051)	(77.274)	(39.427)	(40.722)	(40.808)	(40.891)	(40.946)	(41.002)	(37.453)	(37.45)
Corporate Adjustments:										
Other net change in use / contribution to reserves	26.807	(44.077)	21.489	31.374	32.288	33.259	33.814	34.327	34.856	32.46
Corporately Managed Budgets	(53.803)	(23.011)	(9.839)	(13.901)	(16.693)	(26.091)	(31.343)	(45.928)	(49.600)	(38.59)
Changes in Corporate Government Grants	(61.075)	(16.348)	(18.105)	(19.827)	(20.791)	(21.779)	(23.559)	(25.376)	(27.230)	(28.29)
<b>Total Net Expenditure</b>	<b>828.671</b>	<b>852.140</b>	<b>948.720</b>	<b>990.236</b>	<b>1,031.019</b>	<b>1,064.655</b>	<b>1,101.942</b>	<b>1,134.753</b>	<b>1,180.862</b>	<b>1,238.11</b>
Business Rates	(411.693)	(432.135)	(445.154)	(456.877)	(468.890)	(481.198)	(493.811)	(506.736)	(519.980)	(533.55)
Business Rates Deficit in 20/21 funded by S31 grants	177.261	-	-	-	-	-	-	-	-	-
Use of S31 grant reserve to fund Business Rates deficit arising in 20/21	(177.261)	-	-	-	-	-	-	-	-	-
Business Rates Deficit from 2019/20	1.435	-	-	-	-	-	-	-	-	-
Business Rates Deficit 20/21 spread over three years	16.224	16.223	16.222	-	-	-	-	-	-	-
Council Tax	(382.923)	(394.022)	(405.362)	(417.027)	(428.729)	(440.758)	(453.126)	(465.841)	(478.913)	(492.35)
Council Tax Deficit from 2019/20	2.707	-	-	-	-	-	-	-	-	-
Council Tax Deficit 20/21 spread over three years	1.530	1.532	1.532	-	-	-	-	-	-	-
Top Up Grant	(55.951)	(57.070)	(58.212)	(59.376)	(60.563)	(61.774)	(63.010)	(64.270)	(65.555)	(66.86)
Top Up Grant - Reset	-	12.254	13.583	14.565	15.575	16.619	17.707	18.833	19.998	21.18
Potential impact of spending review	-	1.000	5.000	9.000	9.000	9.000	9.000	9.000	9.000	9.00
<b>Total Resources</b>	<b>(828.671)</b>	<b>(852.218)</b>	<b>(872.391)</b>	<b>(909.715)</b>	<b>(933.607)</b>	<b>(958.111)</b>	<b>(983.240)</b>	<b>(1,009.014)</b>	<b>(1,035.450)</b>	<b>(1,062.57)</b>
<b>Gap</b>	<b>0.000</b>	<b>(0.078)</b>	<b>76.329</b>	<b>80.521</b>	<b>97.412</b>	<b>106.544</b>	<b>118.702</b>	<b>125.739</b>	<b>145.412</b>	<b>175.53</b>

The emerging gap levels have already been adjusted to reflect planned savings and the Plans seeks to be fully transparent on this underlying position. Actual financial performance in 2019/20 and 2020/21 has illustrated a strong level of predictability and reliability on in-year forecasting and agility in recalibrating net spend. Given the strength of existing savings plans (see below), the overall direction of travel on financial management capability and the high level of clarity on the tasks required to 'square the circle' and realign net spend pressure with resources, we would be confident that Birmingham will mitigate the inherent emerging structural deficit.

The Financial Plan as an MTFP attempts to forecast available resources, demand and spend pressures as well as impacts on reserves – all in the context of spending priorities set within the wider corporate planning framework – The Birmingham Delivery Plan. Overall the current Financial Plan is considered to be robust but there is inevitably still scope for further improvement that would put the MTFP within exemplar status. More work is still needed to fully link operational services planning, asset management and procurement strategies together with closer alignment of external delivery partners but it is clear that the Financial Plan as currently constituted will serve Birmingham extremely well.

## Planned efficiency savings and transformational change

Since our 2018/19 assessment Birmingham City have significantly changed their approach to the formulation and tracking on the delivery of savings through an enhanced monthly Star Chamber approach. As highlighted above the Financial Plan 2021-2025 commits to approximately £190.5 million of planned savings being delivered by 2024/25. The impact of Covid-19 and the recalibration of service demand pressures have been highlighted. Planned savings for 2021/22 are £33.051 million and this rises to £77.274 million in 2022/23 and falls back to approximately £39 million/£40 million for the remaining two

<sup>5</sup> Birmingham City Council – Financial Plan 2021 – 2025 Page 75: Appendix A



years of the MTFP as constituted in the 2021 – 2025 Financial Plan. The profiles against the high-level modelling are extracted below<sup>6</sup>:

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Base budget 2020/21	852.933	852.933	852.933	852.933
Changes in pay and price inflation	27.717	57.787	87.072	117.722
Budget pressures	69.143	102.130	54.597	62.657
<b>Corporate adjustments:</b>				
Other net change in use of / contribution to reserves	26.807	(44.077)	21.489	31.374
Corporately managed budgets	(53.803)	(23.011)	(9.839)	(13.901)
Changes in corporate government grants	(61.075)	(16.348)	(18.105)	(19.827)
<b>Total expenditure</b>	<b>861.722</b>	<b>929.414</b>	<b>988.147</b>	<b>1,030.958</b>
Business Rates	(411.693)	(432.135)	(445.154)	(456.877)
Top Up Grant	(55.951)	(43.816)	(39.629)	(35.811)
Council Tax	(382.923)	(394.022)	(405.362)	(417.027)
Collection Fund (surplus)/deficit Business Rates	17.659	16.223	16.222	0.000
Collection Fund (surplus)/deficit Council Tax	4.237	1.532	1.532	0.000
<b>Total resources</b>	<b>(828.671)</b>	<b>(852.218)</b>	<b>(872.391)</b>	<b>(909.715)</b>
<b>Savings requirement</b>	<b>33.051</b>	<b>77.196</b>	<b>115.756</b>	<b>121.243</b>
Planned savings	(33.051)	(77.274)	(39.427)	(40.722)
<b>Other solutions to be determined</b>	<b>0.000</b>	<b>(0.078)</b>	<b>76.329</b>	<b>80.521</b>

Notwithstanding a sound approach to the management of reserves, the Financial Plan seeks to provide a transparent view of both the savings that have been already formulated and the emerging budget gap arising from an underlying structural deficit position. The Financial Plan highlights this pressure, manifesting itself in 2023/24 with a gap of £76 million growing to approximately £81 million in 2024/25. Critical to this modelling is the efficacy and robustness of the identified savings. The Financial Plan highlights that the approach to the formulation and tracking of savings has been significantly overhauled with *"some savings have to be rephased due to changing circumstances, some have to be replaced with an alternative saving and others have to be removed from the programme since they are no longer considered to be deliverable. The Council therefore has a saving programme for the period 2021/22 to 2024/25 in which there can be some reasonable confidence in its delivery."*<sup>7</sup>

More effective 'front end' scrutiny of savings proposals templates and business cases and the enhanced star chamber approach in tracking, led by Scrutiny has led to a strong level of testing and validation of savings proposals. With extensive challenge applied through Business Partnering and the Deputy Section 151 Officer, the statement on 'reasonable confidence on delivery' is based on a fully committed approach being taken. There has been a marked change from 2019 savings being 'aspirational' to a position now where savings are substantially based on finite change proposals. Indeed, the Plan recognizes the extent of previous savings exercises on base budgets and that a more radical approach that embraces 'true transformation' requires to be taken:

<sup>6</sup> Birmingham City Council – Financial Plan 2021 – 2025 Page 32: Table 3.9

<sup>7</sup> Birmingham City Council – Financial Plan 2021 – 2025 Page 32, Para 22.1.1

*“For 2021/22 onwards, the Council has taken a different approach to the development of new savings, having recognised that after delivering over £700m worth of savings over the past 11 years, it is unlikely that any further major savings could be made purely through efficiencies. Additionally, planning for savings was difficult at a time when managers were dealing with the response to the pandemic. Therefore, no Directorate targets were issued for the 2021/22 budget planning process and it is anticipated that any new savings, beyond that relating to review of the establishment referred to in paragraph 22.4 below, will be delivered through the Delivery Plan.”<sup>8</sup>*

*One new saving of £20.1m has been identified as being deliverable from implementing establishment controls within the Council. This work started in 2020/21 and will be built upon in 2021/22. We do not envisage any redundancies as a result of this proposal as the outcomes are likely to be deleted vacancies and reduced agency costs.”<sup>9</sup>*

Overall, the approach to savings demonstrates a realistic and considered approach including the assessment of risk with a Budget Risk assessment being a key determining factor in the inclusion of planned savings to model. It is inevitable that current circumstances arising from the global Covid-19 pandemic will produce some element of delay or drag on delivery of transformational change, but that has certainly not stopped an appetite for moving significantly beyond ‘business as usual’. There will inevitably be more opportunities for savings, particularly within Procurement activities and it is encouraging that Birmingham is putting significant effort into improving Procurement capability.

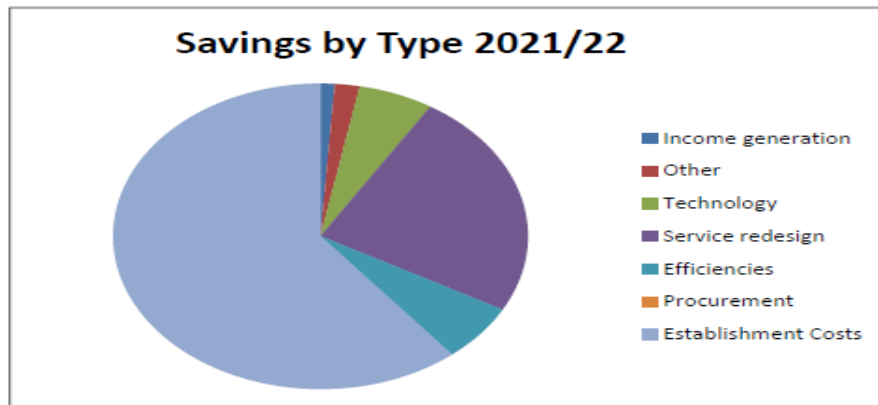
The current approach is a significant movement away from the previous position whereby the base budget adjustments were carried out irrespective of the impact on service. An example includes raising car parking and other fee income for various services in a way that would have actually adversely impacted customer behaviours, to the extent that alternative provision would have effectively eliminated existing income sources. The previous approach of ‘salami slicing’ budgets in order to contribute to the overall savings target has been ‘called out’ and Business Partnering development has led to a ‘paradigm shift’ towards service challenge and redesign rather than the services recalibrating the pace of spend. Whilst the extent of 2021/22 savings are primarily within establishment costs, it is clear to see the extent that Birmingham seeks to redesign services in a way that points to transformational change<sup>10</sup> rather than reduce incremental resources:

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<sup>8</sup> Birmingham City Council – Financial Plan 2021 – 2025 Page 32, Para 22.3

<sup>9</sup> Birmingham City Council – Financial Plan 2021 – 2025 Page 32, Para 22.4

<sup>10</sup> Birmingham City Council – Financial Plan 2021 – 2025 Page 33, Para 22.4.1



## Resilience profile

On overall resilience, legacy constraints on Prudential Borrowing and the impacts of emerging service pressures together with medium and longer term impacts of Covid-19 will present significant challenges. Notwithstanding the emerging structural deficit, a highly considered Financial Plan, advanced management of reserves and a rapidly developed strong financial management capability has transformed Birmingham's financial resilience. There is high level of developed maturity in the approaches taken in formulation of a high-level financial strategy.

Given these considerations we would now consider that Birmingham's overall financial resilience to be MODERATE and is fully reflected through our CIPFA Financial Management Model assessment criteria. This is highly commendable particularly in the context of lack of continuity at Chief Executive level and the interim nature of the post of the current Section 151 Officer. The extend of improvement since or 2019 assessment has been highly significant.

# Financial Management Review

## Financial Management Review

### Overall Assessment

Using CIPFA's FIVE STAR rating system, Birmingham City Council is now rated overall as a THREE STAR organisation. "Leadership" is the strongest management dimension reflecting effective stakeholder engagement in the formulation of financial strategy. The "Leadership" dimension comes in slightly ahead of "Stakeholders" on aggregate scoring from our high-level matrix of Financial Management styles and Financial Management Dimensions. From our experience the "People" Dimension is typically the weakest of the Management Dimensions across almost all the range of organisations we have worked with and this is also the case at Birmingham City Council. However, there is now only a marginal difference between People scoring and overall Process scoring. Within the 2019 assessment the People scoring dimension scored significantly lower than Processes, so the gap has been substantially bridged. Our experience points to 'People' issues being the most difficult to improve scoring so the upward movement on People scoring is considered as being extremely positive as is indicative of the focus delivered to improve this area.

From the best practice matrix the Delivering Accountability style of financial management scores best and this is exactly what we would expect. This is an area that is heavily regulated and prescribed by HM Treasury and CIPFA best practice and is also most closely related to the traditional role of the finance function. Typically, there should be a pattern of progression in scoring with the highest being Delivering Accountability and the lowest being Enabling Transformation with a stepped progression between the financial management styles. Within our 2019 assessment, Supporting Performance scoring was the weakest albeit only marginally lower than Enabling Transformation. Our 2021 assessment position highlights that the expected pattern of stepped progression has been restored with Supporting Performance, as a Financial Management style, being significantly improved - some 40% in terms of scoring capability. Weaknesses previously identified in this area such as Business Partnering have been turned into a strengths. Overall, both Financial Management Styles (Supporting Performance and the People Management Dimension have seen significant improvement to the extent that advanced decision support is now evident at Birmingham City.

Birmingham City Council's Financial Management was assessed against Best Practice and results are shown in the first table below "Current Snapshot". Actual scoring positions in numerical format from 0 to 4.00 in increments of 0.25) within our high level matrix scoring across Management Dimensions and Financial Management Styles are as follows:

	Management Dimensions			
Financial Management Styles	Leadership	People	Processes	Stakeholders
Delivering Accountability	3.00	2.50	2.75	3.00
Supporting Performance	2.50	2.00	2.25	2.00
Enabling Transformation	2.25	2.00	1.75	2.50

The above scoring matrix position has markedly changed from the 2019 equivalent:

	Management Dimensions			
Financial Management Styles	Leadership	People	Processes	Stakeholders
Delivering Accountability	2.50	1.50	2.50	2.00
Supporting Performance	2.00	1.00	1.75	1.50
Enabling Transformation	1.50	1.00	1.50	2.50

Overall, our 2021 assessment identified six high level strengths and five areas for further development. It is important to recognise, in context, that these development areas do not negatively affect the THREE STAR rating and could be found in organisations with different star ratings.

## Key Strengths

The remainder of this document is dedicated to highlighting issues identified through the Financial Management assessment. However, it is important to acknowledge that the review also identified a number of areas in which Birmingham City Council is particularly effective. Six specific strengths were identified and, indeed some areas previously identified as weaknesses have been significantly developed to become strengths. These include the rapid development of the effectiveness of the Business Partnering function and refocusing on the wider Finance function. The key strengths identified included (relevant model statements are in brackets):

- **Financial Leadership** – leadership provided by the Section 151 and Deputy Section 151 officers in addition to the Finance and Governance Leadership Team have significantly addressed the weaknesses highlighted within our April 2019 assessment and transformed some elements of weaknesses into real strengths. There is a real focus on learning from best in class on practice excellence, tightly

managing improvements and obtaining real grip through robust project management **(L1)**

- **Financial Strategy** – the Financial Plan 2021 – 2025 is a comprehensive and technically strong, top-down strategy covering detail plan a 4 year medium term financial plan together with an extended 10 year profile. The architecture of the model is considered to be robust and fully supports the overarching City Council Delivery Plan with appropriate focus on risk. Core assumptions are prudent and the plan is considered to be highly effective in providing a stable platform upon which to appropriately inform decision makers in the development of short, medium and longer term financial strategy. However, the Plan could be enhanced further with more pronounced linkages to Asset Management, Procurement and Workforce Planning. In relation to the latter we recognize that a refocus on planned establishment savings will deliver on this area **(L4 and PR10)**
- **In-year Monitoring, Forecasting and recalibration agility**– effective and insightful forecasting with a good mix of narrative and metrics. Provides a high level of confidence in the ability to recalibrate activity in relation to unforeseen challenges **(L3 and PR5)**
- **Treasury Management** – advance capability and optimisation of existing portfolio of borrowing/lending **(PR4)**
- **Governance and Risk** – highly effective arrangements around audit and risk. Good interplay between the Audit Committee and Scrutiny **(PR7 and PR8)**
- **Advanced Business Partnering** – formerly a weakness identified in April 2019 but moving towards a real strength in 2021. The recruitment of highly experience Business Partners has led to a paradigm shift and dynamics in shaping significantly improved accountability for financial performance. As well as business as usual, Business Partners have been able to forge strong supports as enablers to service directorate management. The work of Business Partners in the formulation and testing the efficacy of savings and service strategy within the Financial Plan has been critical. If there is any weakness, it is the fact that most of the Finance Business Partners hold interim posts and there will be challenges in maintaining a level of continuity of skilling and experience. Within the scope of the current Target Operating Model (TOM) Project we see no reason that the Finance Team at Birmingham cannot progress towards recognition as a 'centre of excellence' in UK Local Government Finance **(P4)**

## Development areas

Notwithstanding these strengths we have identified five areas for improvement. Indeed, addressing these development areas would be critical to Birmingham In priority order:

- **Accountability for financial performance and FM Competency and Performance Framework** – has been significantly strengthened through the issue of formal letters outlining delegated responsibility and accountability for financial performance. Significant improvement is also evidenced through advanced Business Partnering support. However, there is still work to be done to move away from high levels of dependence on finance. The move to a new Oracle ERP system with potential for meaningful self-service functionality should further encourage ownership and less dependency on budget holders relying on finance support for a basic in-year position. There is still some work required to embed a competency framework across the operational services in a way that allows for clarity on financial management objectives and appraisal of financial performance in the same way as operational performance. This needs to be linked to training needs being assessed and any gap analysis addressed by appropriate external/inhouse training as best matches any deficiency **(L2, P1 and P5)**
  
- **Transactional Finance** - limitations around accounts payable functionality and overall KPI performance needs to improve although we are aware of additional resources being deployed to assist. We are led to understand that the transition to the planned Oracle ERP version, in conjunction with process redesign will improve performance **(PR3)**
  
- **Asset Management** – whilst the Property and Assets Board and the Capital Board have a grip of assets earmarked for disposal, we are unsighted on a comprehensive strategy to actively manage and report asset utilisation and performance in year that can make balance sheet data a sound platform for optimal decision making **(PR6)**
  
- **Finance Team Structuring** – real progress has been made on delivering best practice but continuity risks remain where key staff are interim. Over the medium term it is critical that the structure of the Finance Team reporting to the Deputy S151 Officer has an appropriate blend of full time and interim senior practitioners. We are mindful that Birmingham have engaged KPMG to assist with the formulation of an improved Target Operating Model (TOM) and that the overall TOM project is being managed at pace, yet creating the optimal balance on the assimilation of staff with long standing experience and the recruitment of external specialists will be key. Indeed, our evidence points to the TOM Project being robustly managed and we would have a high level of confidence that the TOM Project Board will deliver an optimal Finance structure and overarching model that will make Birmingham a Finance centre of excellence **(P2)**
  
- **Procurement** – there is difficulty gaining traction with service directorates and alongside issues of under resourcing place drag on overall procurement capability – particularly on active performance management of contractor/supplier performance throughout the life of each contract – this remains partial at best. Capacity of the Procurement Team is considered to be a stretched. We understand that work is underway in creating a Target Operating Model (TOM) for Procurement and would, as with the Finance TOM Project, have full confidence that the issues identified will be fully addressed with the same rigour in early course **(PR13)**

Unlike the issues highlighted within our April 2019 assessment, the 2021 development issues are not predominately interlinked and are more aligned to continuous improvement than core fundamental good practice compliance change.

## Overall assessment

It is clear that over the last two years at Birmingham City the core finance function has moved on from the more traditional stewardship aspects of financial management that had evolved through keeping the services 'safe' by trying to ensure that the organisation works within its approved financial targets to a much more mature and dynamic supporting and enabling service. Our evidence strongly points to a significant improvement having been achieved over the last two years on Financial Management capability to a position where high levels of effectiveness are now evident. Average total statement scoring for the 30 statements across the Financial Management Model has increased by approximately 30%. Our latest assessment using CIPFA's FIVE STAR model is outlined below.

### Current Snapshot: Overall Star Rating

Overall, as at May 2021 Birmingham City Council received a **three-star rating based on a revised statement average scoring**.

CIPFA has independently assessed 90 organisations against best practice using its Financial Management Model. On a comparative basis the average statement scoring would place Birmingham just within the top quartile for comparable organisation scoring.

### Birmingham City Council's rating is consistent with the key aspects of CIPFA's Definition of a Three-Star Rating

Notwithstanding average statement scoring, CIPFA developed generic attribute definitions for each star rating linked to capability maturity and, from experience, key factors that are typically found in organisations with specific star rating profiles. The typical generic rating for a THREE STAR organization profile is outlined below. Whilst aspects of this generic definition are clearly evident within Birmingham, the pace and direction of travel on improvement points to a more than adequate approach to deal with 'challenging times' and Birmingham has moved beyond sound financial management towards highly effective financial management capability.

#### ***CIPFA's Definition of a Three-Star Rating (generic Three Star) :***

*"The organisation has sound financial management capability and has arrangements in place that are adequate in supporting the organisation under stable conditions and enables it to incrementally develop but is not sufficient for challenging times or driving transformational change. There is a medium-term financial strategy and competent investment programme management that ensures that most programmes are implemented although invariably not all projects will come within budget and timescales. Commercial capabilities exist but are only partially developed. "*



### Direction of travel – progression to a FOUR-STAR organisation

Given the grip, pace and progression described above it is envisaged that if this level of progress is maintained, **Birmingham has real potential to achieve FOUR STAR Status by September 2022, subject to the current trajectory of improvement and the series of development area improvements highlighted within this report being substantially addressed**. FOUR STAR attributes are outlined below (albeit generic). Given the current trajectory of improvement we believe that this can be achieved at Birmingham and indeed, already have some evidence that aspects of this generic description current exist albeit not fully embedded.

#### ***CIPFA's Definition of a Four-Star Rating (generic Four Star) :***

*The organisation has in place strong financial management capability which enables it to deliver effective outcomes in challenging times, provides stability through to the medium term, is agile in adapting to unforeseen events, continually identifies opportunities to improve its performance and contributes to organisational transformational change. Most investment programmes are delivered to time and cost. The organisation has strong insight into cost drivers and commercial capabilities are highly evident with strategic and operational planning.*

In summary, Birmingham have made great strides in addressing the issues that constrained overall financial management capability. Indeed, turning some weaknesses into strengths. We would conclude that this progression highlights a highly commendable response to issues arising within our April 2019 assessment. It would be our considered view that Birmingham City Council should be considered to be an exemplar in the transformation of financial management capability given the extent of improvement achieved over the last two years.

We would also like to take this opportunity to record our sincere gratitude to the members, staff and related stakeholders of Birmingham City Council who provided extremely valuable support in the course of our work through liaison, interview or survey participation.

# Issues and Recommendations

As highlighted above five issues were identified as requiring development during our assessment. These recommendations have been translated into a more detailed Improvement Plan which will be agreed with Birmingham City Council.

Summary	Issues	Recommendation
<b>Accountability for financial performance and competency framework</b>		
<b>Accountability for financial performance and Financial Competency Framework</b>	Significantly strengthened through the issue of formal letters outlining delegated responsibility and accountability for financial performance. Significant improvement also provided by advance Business Partnering support. However, there is still work to be done to move away from high levels of dependency. The move to a new Oracle ERP system with potential for meaningful self-service functionality should further encourage ownership and less dependency on budget holders relying on finance support for a basic in-year position. Linked to this still some work required to embed a competency framework across the operational services in a way that allows for clarity on financial management objectives and appraisal of financial performance in the same way as operational performance. This needs to be linked to training needs being assessed and any gap analysis addressed by appropriate external/inhouse training as best matches any deficiency	More formally embed financial objectives within performance appraisal for budget holders including financial management responsibilities. Exploit self-service capabilities from replacement Oracle ERP to enable budget holders to be fully committed and responsible for in-year forecasting. Create a Financial Management competency framework to articulate the various accountabilities and responsibilities for financial management across the organisation. This should clarify the budget management expectations of budget holders as well as the more strategic responsibilities of the finance function. Connected to appraisal carry out a systematic training needs analysis which seeks to fill gaps through external/internal provision of appropriate training. The emerging competency framework should be used as a basis to assess current performance, desired performance and the skills gap
<b>Transactional Finance</b>		
<b>Transactional Finance</b>	Limitations around accounts payable functionality and overall KPI performance needs to improve although we are aware of additional resources being deployed to assist. We are led to understand that the transition to the planned Oracle ERP version, in conjunction with process redesign will improve performance	Improved grip required on KPI performance and active transitional arrangements towards relevant functionality within replacement Oracle ERP. New interim resource to be used to import best practice improvement on process management
<b>Asset Management</b>		
<b>Asset Management</b>	Whilst the Property and Assets Board and the Capital Board have a grip of assets earmarked for disposal, we are unsighted on any comprehensive strategy to actively manage and	Stronger link between active asset management and balance sheet reporting required which highlights the scope for optimising asset creation, enhancement and disposal

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report asset utilisation/performance in year that can make balance sheet data a sound platform for optimal decision making

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#### ***Finance Team restructuring***

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##### **Finance Team restructuring**

Real progress made on delivering best practice but continuity risks remain where key staff are interim. Over the medium term it is critical that the structure of the Finance Team reporting to the Deputy S151 Officer has an appropriate blend of full time and interim senior practitioners. Indeed, our evidence points to the TOM Project being robustly managed and we would have a high level of confidence that the TOM Project Board will deliver an optimal Finance structure and overarching model that will make Birmingham a Finance 'centre of excellence '

Within the formulation of the Target Operating Model (TOM) an optimal structure that allows an effective blending of external expertise (high calibre practitioners) with existing experienced staff.

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#### ***Procurement***

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##### **Procurement**

There is difficulty gaining traction with service directorates and alongside issues of under resourcing place drag on overall procurement capability – particularly on active performance management of contractor/supplier performance throughout the life of each contract – this remains partial at best. Capacity of the Procurement Team is considered to be a stretched. We understand that work is underway in creating a Target Operating Model (TOM) for Procurement and would, as with the Finance TOM Project, have full confidence that the issues identified will be fully addressed with the same rigour in early course

Team resourcing and impact may be linked. We understand that work is underway in creating a Target Operating Model (TOM) for Procurement and the issues identified above will be fully addressed

## Improvement Plan – this is still to be agreed

In relation to the above issues and recommendations we understand that the TOM Project would be the appropriate forum to take these initiatives forward. The table below is a standard template outlining roles/responsibilities but we would assume that our recommendations would be fully absorbed within the existing TOM Project planning.

Actions required	Current position	Lead responsibility	Timescale
<b>Accountability for financial performance and Financial Competency Framework</b>			
<i>Transactional Finance</i>			
<i>Asset Management</i>			
<i>Finance Team restructuring Accountability for Financial</i>			
<i>Procurement</i>			

# Appendices

## Appendix I: FMCR Information Sources

### Electronic Survey

83 contributors were surveyed as part of the electronic survey. The contributors were categorised into a specific survey group which best reflected their own characteristics. Each survey group were given only those FM Model statements and supporting questions that were considered to have best relevancy to that survey group, The survey groups and number of contributors is highlighted below:

Group	Survey Groups	Totals
SG1	Strategic/Corporate Finance	14
SG2	Operational Finance	21
SG4	Operational Managers	48
	<b>Total</b>	<b>83</b>

### List of Interviewees – 42

The following is a listing of some 42 contributors that took part in the 2021 assessment. This is up on 31 interviewees brought within the corresponding 2019 exercise:

	Forename	Surname	Job Title
1	Cllr Ian	Ward	Council Leader
2	Cllr Tristan	Chatfield	Finance Portfolio Holder
3	Cllr Sir Albert	Bore	Scrutiny Chair
4	Cllr Fred	Grindrod	Audit Committee Chair
5	Cllr Paulette	Hamilton	Cabinet Member
6	Cllr Carl	Rice	Cabinet Member
7	Cllr John	O'Shea	Cabinet Member
8	Rebecca	Hellard	Interim Director of Finance and Governance – S151 Officer
9	Sara	Pitt	Assistant Director Service Finance – Deputy S151 Officer
10	Suzanne	Dodd	City Solicitor and Monitoring Officer
11	Kevin	Hicks	Assistant Director Highways and Infrastructure
12	Jonathan	Tew	Assistant Chief Executive
13	Peter	Bishop	Director Digital and Customer Services
14	Nicola	Jones	Assistant Director Inclusion and SEND
15	Robert	James	Acting Director Neighbourhoods
16	John	Williams	Assistant Director Community and Operational
17	Chris	Jordan	Assistant Director Neighbourhoods
18	Waqar	Ahmed	Assistant Director Community Safety and Resilience
19	Ian	MacLeod	Acting Director Inclusive Growth
20	Tim	Normanton	Acting Assistant Director – Human Resources
21	Andy	Couldrick	Chief Executive – Birmingham Children's Trust
22	Sarah	Dunlavy	Assistant Director – Audit and Risk Management
23	Graeme	Betts	Director of Adult Social Care
24	Mike	Fagan	Interim Head of Transactional Services

25	Paul	Busst	Head of IT Transformation
26	Carl	Tomlinson	Business Partner - Neighbourhoods
27	Kalvinder	Kholi	Head of Servicing Commissioning Adult Social Care
28	Lee	Bickerton	Business Partner – Central Services
29	Alan	Layton	Head of Financial Planning
30	Ilgan	Yusuf	Acting Assistant Director Skills and Employability
31	Simon	Ansell	Business Partner Inclusive Growth
32	Mohammed	Sajid	Head of Financial Strategy Capital & Treasury
33	Anthony	Farmer	Head of Practice Management – Legal Services
34	Richard	Tibbats	Acting Head of Procurement
35	John	Hardy	Commissioning Manager
36	Paul	Lankester	Interim Assistant Director Regulation and Enforcement
37	Nick	Smith	Manager – Customer Services
38	Louise	Collett	Assistant Director Commissioning
39	Philip	Edwards	Assistant Director – Transport and Connectivity
40	Mark	Astbury	Business Partner – Adults Social Care
41	Wendy	Griffiths	Assistant Director – Customer Services and Business Support
42	Jon	Roberts	Partner - Grant Thornton – External Auditors

## List of Documents Reviewed

The documents reviewed by CIPFA included but were not limited to the following:

- Birmingham City Council Delivery Plan 2020-2022
- Financial Plan 2021-2025
- Revenue Budget - 2021/22
- Birmingham City Council Annual Report and Accounts 2019/2020
- Committee Structure 2021/2022
- Senior Management Organisation Chart
- Corporate Finance Organisation Chart
- Directorate Business Partner Teams Organisation Structure
- Service Innovation (Service Finance) Org Structure Chart
- CLT Scrutiny Framework 2021/2022
- Officer and Member Report Checklist
- Annual Governance Statement 2019/2020
- Management Level Governance arrangements
- Assurance Statement – Internal Audit 2019/20
- Procurement Business Unit Assurance Statement 2019/20
- Legal and Democratic Business Unit Assurance Statement
- Birmingham City Council: Commissioning Strategy v14
- Birmingham City Council Constitution – Final September 2020
- Financial Monitoring Reports for CLT – Monthly
- Monitoring 2020/21 Q1 and Q2
- Financial Monitoring Q3
- CPS Business Plan Action Plan
- 2020-2021 Summary Slide Template
- Finance Staff Training Strategy
- Budget Holder Training including Induction
- Accountable Bodies Framework
- Core Cities Analysis
- West Midlands Analysis
- Commissioning Frameworks
- Prevention Outcomes Framework
- Cabinet Report – PPF Vulnerable Adults Housing
- VAH1 – anonymized suppliers and values

- Social Justice Board TORs - 2.3.2021
- Vulnerable Adults PBO evaluation - 5.05.2021
- Annual Performance data Year 1 2019 2020 Offenders/Yong People Singles/Couples
- Birmingham City Council Financial Regulations
- Birmingham City Council – Contract Standing Orders
- Birmingham City Council – Scheme of Delegation

## Appendix II: FM Model Statement Definitions and Scoring

### Three Financial Management styles:

#### Delivering Accountability

Emphasis on control, probity, meeting regulatory requirements and accountability.

#### Supporting Performance

Responsive to customers, efficient and effective, and with a commitment to improving performance.

#### Enabling Transformation

Strategic and customer-led, future orientated, proactive in managing change and risk, outcome focused and receptive to new ideas.

### Four Management dimensions

#### Leadership

Strategic direction and business management, and the impact on financial management of the vision and involvement of the organisation's Board members and senior managers.

#### People

Includes both the competencies and the engagement of staff. This aspect generally faces inward to the organisation.

#### Processes

Examines the organisation's ability to design, manage, control and improve its financial processes to support its policy and strategy.

#### Stakeholders

Relationships between the organisation and those with an interest in its financial health; customer relationships within the organisation, between finance services and its internal users.

Rating	Qualifying Scoring	
*****	4	World Class
	3.5	Totally evidenced
	3.25	Strong
****	3.24	Strong
	2.75	Highly evident
***	2.74	Evident
	2.25	Mostly
**	2.24	Competent
	2	Basic
*	1.99	Lower than basic
	1.5	Minimal
	1.25	Weak
	1	Weak
	0.75	Inadequate
	0.5	Inadequate
	0	Not at all



## Statement scoring – April 2019 and May 2021

	<b>Leadership</b>		<b>Scoring April 2019</b>	<b>Scoring May 2021</b>
<b>Delivering Accountability</b>	<b>L1</b>	Financial capability is regarded as integral to supporting the delivery of the organisation's objectives. The CFO is an active member of the board, is at the heart of corporate strategy/business decision making and leads a highly visible, influential and supportive finance team.	<b>3.00</b>	<b>3.25</b>
	<b>L2</b>	The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the board through executive and non-executive directors to front line service managers.	<b>2.50</b>	<b>2.75</b>
	<b>L3</b>	Within an annual budget setting process the organisation's leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation's financial and activity performance in delivering planned outcomes.	<b>2.00</b>	<b>2.75</b>
<b>Performance</b>	<b>L4</b>	The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focussed business objectives and priorities.	<b>2.00</b>	<b>2.50</b>
	<b>L5</b>	The organisation develops and uses financial/leadership expertise in its strategic decision-making and its performance management based on an appraisal of the financial environment and cost drivers.	<b>1.75</b>	<b>2.50</b>
<b>Transformation</b>	<b>L6</b>	The organisation's leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.	<b>1.50</b>	<b>2.25</b>

	<b>People</b>		<b>Scoring April 2019</b>	<b>Scoring April 2021</b>
<b>Delivering Accountability</b>	<b>P1</b>	The organisation identifies its financial competency needs and puts arrangements in place to meet them.	<b>0.50</b>	<b>2.00</b>
	<b>P2</b>	The organisation has access to sufficient financial skills to meet its business needs.	<b>2.00</b>	<b>3.00</b>
<b>Performance</b>	<b>P3</b>	The organisation manages its finance function to ensure efficiency and effectiveness.	<b>0.50</b>	<b>2.00</b>
	<b>P4</b>	Finance staff provide business partner support by interpreting and explaining performance as well as advising and supporting on key business decisions.	<b>1.50</b>	<b>2.25</b>
	<b>P5</b>	Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	<b>1.25</b>	<b>2.25</b>
<b>Transformation</b>	<b>P6</b>	The organisation develops and sustains its financial management capacity to help shape and support its transformational programme.	<b>1.00</b>	<b>2.00</b>

	<b>Processes</b>		<b>Scoring April 2019</b>	<b>Scoring April 2021</b>
<b>Delivering Accountability</b>	<b>PR1</b>	Budgets are accrual-based and robustly calculated	<b>2.00</b>	<b>2.50</b>
	<b>PR2</b>	The organisation operates financial information systems that enable the consistent production of comprehensive, accrual based, accurate and up to date data that fully meets users' needs.	<b>2.00</b>	<b>2.25</b>
	<b>PR3</b>	The organisation operates and maintains accurate, timely and efficient transactional financial services (eg creditor payments, income collection, payroll, and pensions' administration).	<b>2.50</b>	<b>2.25</b>
	<b>PR4</b>	The organisation's treasury management is risk based. It manages its investments and cash flows, its banking, money market and capital market transactions, balancing risk and financial performance.	<b>3.00</b>	<b>3.25</b>
	<b>PR5</b>	The organisation actively manages budgets, with effective budget monitoring arrangements that ensure 'no surprises' and trigger responsive action.	<b>2.25</b>	<b>3.00</b>
	<b>PR6</b>	The organisation maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	<b>2.00</b>	<b>2.25</b>
	<b>PR7</b>	Management understands and addresses its risk management and internal control governance responsibilities.	<b>2.50</b>	<b>2.75</b>
	<b>PR8</b>	Management is supported by effective assurance arrangements, including internal audit, and audit and risk committee(s).	<b>3.00</b>	<b>3.25</b>
	<b>PR9</b>	The organisation's financial accounting and reporting are accrual based and comply with international standards and meet relevant professional and regulatory standards.	<b>3.00</b>	<b>3.25</b>

	<b>Processes (Continued)</b>		<b>Scoring April 2019</b>	<b>Scoring April 2021</b>
<b>Performance</b>	<b>PR10</b>	The organisation's medium-term financial planning process underpins fiscal discipline, is focussed upon the achievement of strategic priorities and delivers a dynamic and effective business plan.	<b>2.00</b>	<b>2.75</b>
	<b>PR11</b>	Forecasting processes and reporting are well developed and supported by accountable operational management. Forecasting is insightful and leads to optimal decision making.	<b>1.75</b>	<b>2.50</b>
	<b>PR12</b>	The organisation systematically pursues opportunities to reduce costs and improve value for money in its operations.	<b>1.25</b>	<b>2.00</b>
	<b>PR13</b>	The organisation systematically pursues opportunities for improved value for money and cost savings through its procurement, commissioning and contract management.	<b>1.75</b>	<b>1.75</b>
<b>Transformation</b>	<b>PR14</b>	The organisation continually re-engineers its financial processes to ensure delivery of agreed outcomes is optimised.	<b>1.75</b>	<b>2.00</b>
	<b>PR15</b>	The organisation's financial management processes support organisational change.	<b>1.25</b>	<b>1.50</b>

	<b>Stakeholders</b>		<b>Scoring April 2019</b>	<b>Scoring April 2021</b>
<b>Delivering Accountability</b>	<b>S1</b>	The organisation provides external stakeholders with evidence of the integrity of its financial conduct and performance, and demonstrates fiscal discipline including compliance with statutory/legal/regulatory obligations.	<b>2.00</b>	<b>3.00</b>
<b>Performance</b>	<b>S2</b>	The organisation demonstrates that it achieves value for money in the use of its resources.	<b>1.25</b>	<b>2.00</b>
<b>Transformation</b>	<b>S3</b>	The organisation is responsive to its operating environment, seeking and responding to customer and stakeholder service and spending priorities that impact on its financial management.	<b>2.50</b>	<b>2.50</b>