

Message from Councillor Mariam Khan, Cabinet Member for Health and Social Care: Birmingham City Council Section 114 report Local Government Finance Act



Birmingham City Council

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I appreciate you will already be aware of the circumstances we find ourselves in at the council and how we arrived at this point, either through news reports or from conversations with members and officers, however I wanted to contact you directly myself to give you the context and ensure lines of communication are open between us.

There will be concern about impact on funding programmes that we manage between us and our providers, and I am already seeking clarification on some of those issues but can pick up individual concerns which you raise with me.

In June, the council announced that it has a potential liability relating to equal pay claims in the region of £650m to £760m, with an ongoing liability accruing at a rate of £5m to £14m per month. It immediately introduced mandatory spending controls.

Since June, significant work has taken place to agree a process for the delivery of a new pay equity scheme and on 1 September a new methodology was agreed. When implemented, this will curtail the council's ongoing liability.

However, the council is still in a position where it must fund the equal pay liability that has accrued to-date (in the region of £650m to £760m).

In addition, the Council has also identified a budget shortfall for the current financial year of £87m and projected to rise to £164m.

On that basis, Fiona Greenway, the council's Interim Director of Finance (s.151 – Chief Finance Officer), has issued a report under section 114(3) of the Local Government Finance Act. This is part of an overall strategy to restore the council's finances.

This **does not mean** that the council is unable to pay its staff, contractors, or suppliers. It does mean that the council has to take steps to significantly curtail its spending in the short term and will look to reduce its overall spend in the medium to long term. As a consequence, difficult decisions will need to be made in relation to how the council serves its citizens.

The immediate impact of the section 114 means that all new non-essential spending (**with the exception of services supporting vulnerable children and adults**) must stop immediately, **however the council will honour any existing contractual commitments**. A review of the organisation's capital programme and assets will also be undertaken to help meet this ongoing liability.

Financial controls will be overseen by the Interim Director of Finance (s.151 Officer), and a framework will be set in place to monitor spending, ensure that savings are identified and robust action is taken to deliver.

Details of what this means will be set out in a Financial Recovery Plan, which will be developed over the coming weeks. Dialogue will also continue with government to explore what assistance it can provide.

Whilst the issue of a section 114 notice is an acknowledgement of the immediate financial challenges that the council is facing, the strengthened governance it will facilitate, coupled with the recalibration of the council's spending means that in the medium term, the organisation will return to good financial health.

The council acknowledges that the issuing of the section 114 notice will create uncertainty and in some cases disruption, and unreservedly apologises. We are committed to ensuring that citizens and partners are regularly updated on the current situation and its future implications.

The council also remains committed to working with key stakeholders in our communities such as yourselves to mitigate the impacts of the current cost of living crisis on some of our most vulnerable citizens.

I understand that you will have questions or concerns with regards to our joint work with partners, and I urge you to please raise them with me so that I can provide clarity where I am able to.

Whilst we have been developing an understanding of the next steps and processes we need to take as a council, we recognise the valuable relationship we have with you as one of our key stakeholders.

I know you will have many questions and I commit to ensuring I will seek as much clarity as possible to specific concerns you may have on what the future holds.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mariam Khan', enclosed within a hand-drawn rectangular border.

Councillor Mariam Khan
Cabinet Member for Health and Social Care