

The strategic impact of a Section 114 notice”.

Tim Savill, Assistant Director, Revenues, Benefits and Rents
January 2024



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Agenda

- Background
- Operational issues
- Commissioners
- Profile of Revenues and Benefits
- Opportunities

Quiz – name the City (and what do they have in common?)

???



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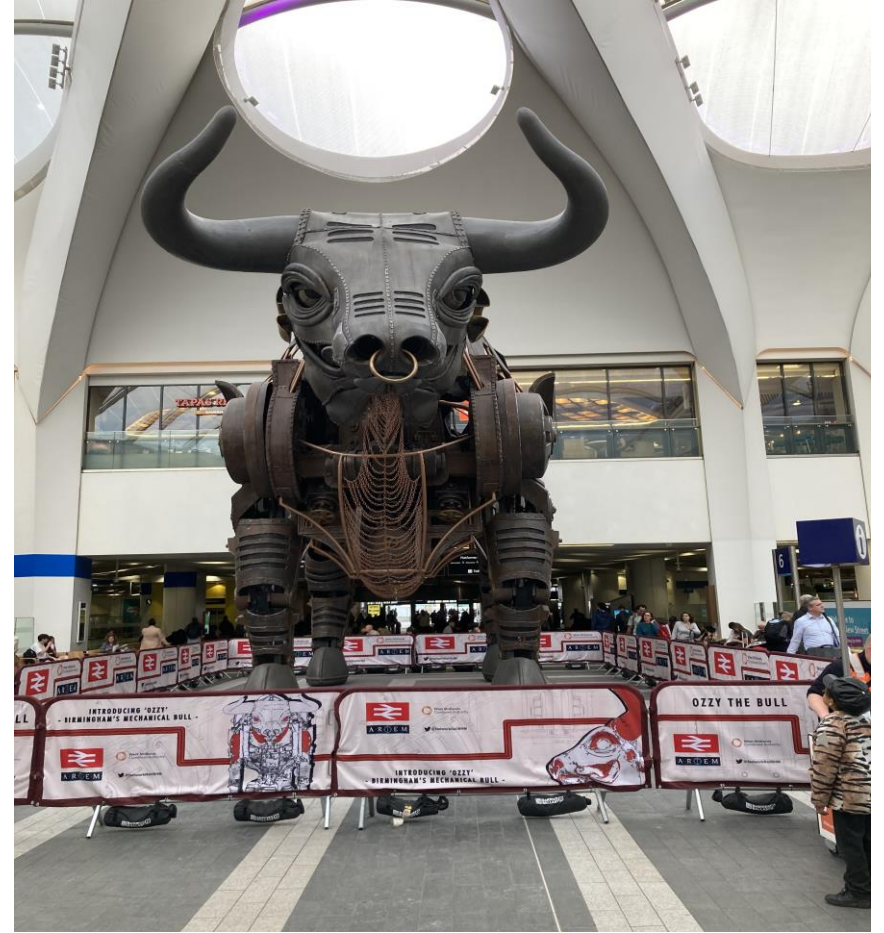


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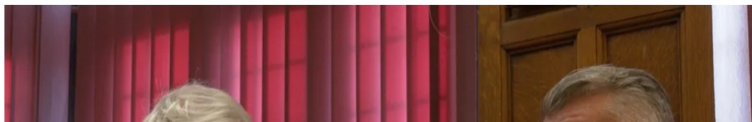
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Coventry City Council outlines 'tough choices' over budget shortfall

4 December 2023 · Comments



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BCP Council 'optimistic' after being 'on the brink'

24th November 2023

FINANCE LOCAL GOVERNMENT BOURNEMOUTH CHRISTCHURCH POOLE





Welcome to the intranet x BCP Council 'optimistic' after being 'on the brink' x Southampton City Council CEO resigns amid financial difficulties/

https://www.dailyecho.co.uk/news/24037752.southampton-city-council-ceo-resigns-amid-financial-difficulties/

Southampton City Council CEO resigns amid financial difficulties

9th January

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Mike Harris is to step down as CEO of Southampton City Council (Image: ...)

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18:30 11/01/2024



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An exclusive message for member councils

15 January 2024



Four in 10 councils at risk of Section 114 notice over next five years

Four in 10 councils are at risk of issuing a Section 114 notice over next five years according to analysis from Grant Thornton. The analysis found that in 2025, 25 per cent of councils will have cash reserves of less than 5 per cent of their annual budget, climbing to 40 per cent over the next five years. LGA research has found that half of council leaders were not confident they will have enough funding to fulfil their legal duties in 2024/25. Cllr Shaun Davies, LGA Chair, said: “It is unthinkable that the Government has not provided desperately needed new funding for local services in 2024/25. It urgently needs to address the growing financial crisis facing councils.”

[Telegraph: Four in 10 councils at risk of going bust over next five years \(£\)](#)

Background (for Birmingham)

- Spending controls – prior to S114 notice
- 114 notice – then more spending controls
- Centre of Governance review (commissioned by BCC)
- Government appointed Commissioners
- A further Government review of our Governance
 - Both the above as a result of Michael Gove letter
- Second 114 notice (due to delay in equal pay progress)
- External auditor statutory recommendations
- Huge financial pressures (Equal pay, Oracle, funding gap)

The S.114 – Statutory Process

- **S114 (3) of the Local Government Finance Act**

- “The Chief Finance Officer of a relevant authority shall make a report under this section if it appears that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.”
- Meeting of full Council within 21 days of the report
- Full Council to vote on acceptance or rejection of the report
- Outlined actions they proposed to take, as a result of the s.114 notice

And the Birmingham Press.....!

'Dormant volcano' returns to active duty to rescue Birmingham council ([Financial Times](#))
Interview including career profile of Max Caller.

Birmingham's historic Council House 'could be turned into hotel' as city declares 'bankruptcy' ([Birmingham Live](#); [Daily Mail](#); [Daily Express](#)) **Reports claim the Council House could be sold and turned into a hotel.**

The 'non-essential' council services in Birmingham most at risk of cuts - and what is safe ([Birmingham Live](#)) An article profiling statutory services the council provides.

Around 1,000 staff apply to resign from troubled Birmingham City Council ([Birmingham Live](#)) 964 staff have expressed an interest in MARS.

Bankrupt Brum blame game as ex-councillor says £760m black hole was 'not on the table' when she left ([Birmingham Live](#)) Paulette Hamilton MP says there was no talk of the equal pay liability before she left the council.

'Sack the lot of them' - Anger at 'failing' council in Birmingham's 'poorest' area ([Birmingham Live](#)) Residents in Sparkbrook have their say on the section 114 notice.

Birmingham City Council issues second bankruptcy warning amid ongoing financial crisis ([ITV](#)). Coverage of the issuing of the second section 114 notice.

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Commissioners

- The man drafted in to rescue Birmingham City Council from [effective bankruptcy](#) once told staff he had the power to require them to ask **permission to buy lavatory paper.**
- [Birmingham city council ignored bankruptcy warning signs, says ...](#)
Local government expert **Max** Caller, who has been nicknamed **Max the Axe** for his unsparing approach to budget cuts
- Overall impression
 - Reasonable
 - Challenging – evidence based
 - ££££££££££

What has it all meant?

- People have moved-on.....
- Daily meetings to approve any spending (Directorate level)
- Further approval by S151 needed for all ‘essential’ spend
- It held things up a little at the beginning
 - HB payments were delayed by a few days
- Think about other ‘routine’ spending – refunds etc
 - Bulk request where possible – estimate financial impact to year-end?
 - Summons court costs, postage for bills/LWP/Rent letters
 - IT, headsets, eye tests etc etc

Spending controls



And to quote.....

One final one. From our discussions you appear to be plugged into various local govt networks, which is great. Can I just understand how you ensure you are following latest best practice, ensure continuous improvement. It was the reference to robotics that makes me raise this. I would be interested to know how this initiative works. I expect lots of benefits from AI and robotics in the future.

Opportunities for Revs and Bens

- Income is key to all councils
- When S114 is issued it is even more vital
- Look for opportunities to increase income (whether in 114 or not)
 - Arrears
 - Business cases - £x invested = £yyyy generated
 - If RPA not started – get going
 - CTS schemes – but conflicting messages if in 114
 - Any areas of discretionary spend or reliefs
 - Don't forget how you can help the tax base – review discounts, exemptions and reliefs
- Don't ignore Benefits subsidy – needs protecting

What happened in Birmingham?

- **Enforcement agent report – finally ‘over the line’**
 - Comments from opposition councillor that he was reassured it was being run in a high performing area
 - Lots of work to make sure we deliver – 12 more staff
- **Additional funding for Revenues 27 staff**
 - At a time when the Council is facing severe cuts
 - Revs and Bens is seen as the answer to some of the problems
- **Spending control decisions**
 - All posts approved across all services
- **Reputation – able to demonstrate improvements**
 - Rent arrears lower
 - Benefits backlog reduced

The plan of attack

- **Grow our base/net liability**
 - NNDR RV identification
- **Reviews, Reviews, Reviews...**
 - SPD
 - Empty homes for additional NHB
 - SBRR
 - All other exemptions
 - Further self-service
- **More resource in recovery**
 - Automate to generate – RPA, AI mainly around billing
 - Two new recovery teams

Revenues and Benefits contribution

	24-25	25-26	26-27
Benefit Advice Team	0.12	0.12	0.12
Local Welfare Provision	0.8	0.8	0.8
Additional tax collection	3.8	2.7	2.7
Insource some Enforcement Agent work	0.4	0.4	0.4
New Homes Bonus (additional work)	1.8		
Additional Single Person Discount reviews	0.8	0.8	0.8
Review Council Tax Support		4	4
Council Tax Discretionary Hardship scheme	0.4	0.4	0.4
TOTAL	8.12 (7.72)	9.22 (4.82)	9.22 (4.82)

What next

- Consultation on budget proposals
 - Non-statutory spend
- Watch for related cuts in other services which may impact
 - 27 business cases, with 900 roles being cut
- CTS
 - Resolve conflict on CT rise and protecting low income households v additional income
- Further work on debt consolidation
- Ongoing spend controls
- Monitoring and reporting outcomes of initiatives
 - Commissioners will want to see results before they 'leave'

QUESTIONS