

**BRISTOL CITY COUNCIL
CABINET
16 January 2014**

REPORT TITLE: 2014/15 Budget and 2014/15 to 2016/17 Medium Term Financial Strategy

Ward(s) affected by this report: All

Strategic Director: Section 151 Officer

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Purpose of the report:

To consider the Mayor's budget proposals in the light of the decisions made by Council in respect of the Council Tax Reduction Scheme and Council Tax Base in December, the provisional Local Government Settlement and the results of the Budget Consultation in making recommendations for Council to approve at its meeting on 18th February 2014.

RECOMMENDATIONS for the Mayor's approval:

1. That the following statement from the Council's Chief Finance Officer (section 151 officer) be noted:-

The Service Director, Finance, as the Council's Chief Finance Officer, will confirm to Council (as required by the Local Government Act 2003) that the spending plans identified in this Medium Term Financial Strategy and the council tax calculation for 2014/15 are robust estimates that:

Directs resources towards the Mayor's ambitions in a way that is achievable

Reflect the best estimate of pay and price increases available at this time

Consider and recognise the major financial risks facing the Council over the next three years

Contain proposals for increased income or reduced expenditure that are achievable over the medium term.

The Service Director, Finance, as the Council's Chief Finance Officer will also confirm that the level of Council reserves are sufficient to meet the known financial risks facing the Council over the medium term.

2. Mayor's budget Recommendations

That the Mayor's budget proposals in respect of the years 2014/15 to 2016/17 be approved as set out in the report, subject to any changes agreed at the meeting, and thereafter be submitted to Council for approval at its meeting on 18th February to :-

- a. Agree the Council's net revenue budget (before the use of Council reserves) for the year 2014/15 as **£376.378m** and to set the cash-limited revenue budget for each of the Council's directorates for 2014/15.

- b. Agree the Council's provisional revenue spending limit (before the use of Council reserves), for planning purposes, for the year 2015/16 is agreed as **£350.187m** and for the year 2016/17 is agreed as **£338.469m**;
- c. Agree the Council's capital budget (including the Housing Programme) for the year 2014/15 is agreed as **£190.91m** and set the capital budget for each of the Council's directorates for 2014/15;
- d. Agree the Council's provisional capital budget (including the Housing Programme) for the year 2015/16 is agreed as **£159.35m** and for the year 2016/17 is agreed as **£155.84m**;
- e. Agree Council's Housing Revenue budget deficit for the year 2014/15 as £10.6m and for planning purposes, the budget surplus for the year 2015/16 is agreed as £0.xxxm and for the year 2016/17 is agreed as £x.xxxm.

3. Council House Rents and Service Charges

That the proposed changes in Council house rents and Service Charges, in respect of the years 2014/15 to 2016/17, be approved as set out in the report to be submitted to Council for approval at its meeting on 18th February:-

- a. Council house dwelling rents for 2014/15 increase by an **average of £4.58p week** (6.16% average increase) with effect from Monday 8th April 2014. This is in line with government guidelines on rent increases and restructuring.
- b. Service charges for 2014/15 **increase by 3.7%** with effect from Monday 8th April 2014. This is in line with government guidelines on service charge increases.

4. Use of Council Reserves

That the **use of Council reserves policy** as described below be approved:

- a. The purpose of the **Council's Strategic Reserve** is to cover emergency events such as unforeseen financial liabilities or natural disasters. This reserve should be maintained at a **minimum level of between 3% and 5% of the Council's net revenue budget**.
- b. The purpose of the **Council's general reserves** is to support one-off and limited on-going revenue spending
- c. The purpose of the **Council's earmarked provisions and reserves** is to meet identified spending commitments. These reserves will only be used for the purpose for which they were created and will be reviewed annually. If they are no longer required they will be transferred to the general reserve
- d. The timing and use of earmarked reserves requires the approval of the Chief Finance Officer.

5. Treasury Management

That the Council's Treasury Management Strategy (TMS), Investment Strategy and Prudential Indicators included in the Medium Term Financial Strategy (Appendix C) be recommended for adoption by Full Council

- The Annual Investment Strategy as set out in Section 8
- The Minimum Revenue Provision Policy Statement as set out in Section 9
- The Prudential Indicators for capital and treasury as set out in Annex 5
- The proposed Treasury Management Policy Statement for 2014/15 is attached at Annex 1.

- Delegate to the Section 151 Officer authority to vary the figures in the TMSS to reflect any decisions made in relation to the MTFS and Capital Programme prior to submission to Budget Council.

6. Calculation of the Council's Tax Base

That it be noted that at its meeting on 17th December 2013 the Council agreed the tax base subject to the final calculation being adjusted by the Section 151 Officer and now confirm **115,008** as Bristol City Council's Tax Base for the year 2014/15;

7. Council Tax by Band

That the following amounts be agreed by the Council for the year 2014/15:-

- £160.101m** being the sum to be met from council tax in 2014/15 for services provided by the Council;
- Bristol City's Council's share of the council tax for the year 2014/15 for the services it provides for each category of dwelling shown as follows:-

2014/15 Council Tax	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£	£	£	£	£	£	£	£	£
2014/15 Council Tax	927.92	1082.57	1237.22	1391.87	1701.18	2010.48	2319.79	2783.74
2013/14 Council Tax	910.17	1061.86	1213.56	1365.25	1668.64	1972.03	2275.42	2730.50
Percentage increase	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Annual Increase								
Weekly Increase								

8. Council Tax for services provided by the Council

That Cabinet delegate to the Chief Finance Officer to calculate (in accordance with the Local Government Finance Act 1992) the Council Tax amounts to be formally calculated for agreement by the Council for the year 2014/15 following agreement of the Local Government Settlement and the precepts for the Fire and Police authorities when received.

9. Budget finalisation

To delegate to the Chief Finance Officer to make any changes to the agreed budget proposals required as a result of the technical changes necessary to reflect the Governments Local Government Settlement to be published on 30 January 2014.

10. Consultation and scrutiny input:

The Mayor's initial revenue budget proposals were published on 18th November 2013 and communicated widely to the people of Bristol. A comprehensive range of opportunities were provided for the business community, citizens and representatives of equalities groups to feedback and 'have their say'. The Public consultation period ended on 30th December 2013 with a record response rate (over 12 times the response in 2012) demonstrating a robust and extensive consultation. The results are summarised in an appendix 2.

The Initial Budget Proposals have been reviewed and challenged by all of the Council's Scrutiny Commissions during December and their comments fed into the overall budget process. In addition, the Resources Scrutiny Commission have examined the detailed budget assumptions, the initial revenue budget proposals and the Capital Investment Programme in a series of meetings.

The results of the consultation process have been consolidated into a formal report (**see Appendix 2**) for the Mayor and Cabinet to consider and this information will be used to finalise the Mayor's budget recommendations to Full Council on 18th February following debate at the Cabinet meeting on 16th January.

11. Risk management / assessment:

The Council's Financial Position over the Medium Term

Over the medium term the Council faces continuing increasing financial pressures and has identified challenging saving proposals within the above spending plans for 2014/15, 2015/16 and 2016/17 to ensure they remain affordable. Financial risks facing the Council have increased over the past financial year resulting in the current budget strategy of removing reliance on general reserves to fund ongoing revenue spending.

The following table identifies the 7 key financial risks to the Council's financial position over the medium term, the mitigating actions in place and planned to reduce the impact of these risks on the Council's future financial position.

	Key Financial Risks	Likelihood	Impact	Mitigating Actions
1	Unexpected events or emergencies By its nature, the financial risk is uncertain	Low	High	<ul style="list-style-type: none"> Council should maintain a Strategic Reserve at a level of between 3% and 5% of its revenue budget for emergency purposes Level of reserve is currently £6.0m (1.5% of budget)
2	Increasing demand for Adult Social Care Demand for services continue to increase as Bristol's population gets older	High	Medium	<ul style="list-style-type: none"> Demand led pressures provided for within our spending plans Activity indicators are being developed and are detailed below. These will be reported monthly alongside budget monitoring in 2014/15
3	Potential Overspend and Council does not deliver required level of savings to balance spending plans Challenging savings have been identified within our spending plans.	Medium	Medium	<ul style="list-style-type: none"> High risk budget areas have been identified and financial support is targeted towards these areas Regular progress reports on delivery of savings to Management Teams and Executive Board Budget monitoring arrangements for forecasting year end position to be reviewed. Plan to increase level of cover available from General reserves in place
4	Potential delay in delivery of Capital Receipts	Medium	Low	<ul style="list-style-type: none"> Potential new capital receipts may be available from further corporate property review. Capital receipts received to be monitored quarterly
5	Increase in Pension Liabilities Our contributions are influenced by market investment returns and increasing life expectancy.	Medium	Low	<ul style="list-style-type: none"> Our spending plans reflect the level of pension contribution required as identified by the Avon Pension Fund's Actuary in 2013 for the next three years New pension regulations changing scheme benefits to be implemented from 2014
6	Non delivery of the Change Programme The Single Change Programme will transform the Council's internal management structure	Medium	High	<ul style="list-style-type: none"> Substantial savings have been identified and plans developed to ensure their delivery Savings are removed from operating budgets to highlight overspends early. Project delivery costs are to be rigorously monitored and managed
7	Failure to provide safeguarding and placements for children There is an increasing requirement to provide sufficient school places There is a rising number of children requiring specific	Medium	High	<ul style="list-style-type: none"> Provision has been made in the capital programme to increase school places

	support			
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These financial risks are reflected in the assessment of the adequacy of council reserves and the use of reserves over the next three years. It is also intended to strengthen financial decision-making and financial control over the coming year through the following actions:-

- A range of new financial health indicators will be developed and be subject regular performance monitoring;
- Financial and contract regulations will be reviewed to reflect the revised operating and organisational structure of the Council;
- Budget monitoring arrangements will be enhanced to strengthen in year forecasting of year-end spending. A series of finance training and development programmes for budget holders and elected members will be developed to support this change.

Public sector equality assessment

This document explores the combined impact of Bristol City Council's budget proposals for 2014-2017 on equalities groups in our city.

Bristol City Council's vision is to support every citizen to reach their potential and create successful places in which to live, work and play. However, this vision need to be achieved in the context of reduced Government funding and increasing demand for Council services.

The consultation work we have undertaken around our proposals to meet our £90 million savings gap indicates that there are a number of equalities communities that are at risk of being disproportionately affected by a combination of national and wider pressures, and our proposals for 2014-2017.

We must think about how we can reconcile some of these impacts with our wider vision for Bristol, where we aim to close the inequality gaps within our City and ensure that opportunities are accessible to all citizens.

It has been identified that the main cumulative impacts can be grouped in the following areas:

Standard of Living - Lack of employment, increased cost of living and changes to welfare benefits mean that some people may be less able to live with independence and security, and secure necessary nutrition, clothing, housing warmth, utilities, social services and transport.

Health and Wellbeing - Some people will face changes, and reductions, in the health and social care that they receive. It may also be more difficult to access free or low-cost activities with health and wellbeing benefits.

Connection and Isolation - Services that visit people's homes may reduce and increase isolation, and changes to transport mean that some people may find it more difficult to get out to access employment, maintain a social life or participate in leisure activities.

Active Communities – Reductions to services or community assets in some geographical areas of Bristol could further widen inequality gaps for some neighbourhoods. Reductions to services to specific communities of interest could compromise culturally appropriate services or the voice and influence of non-geographical communities.

At this stage, we have identified key affected groups to be; older people, disabled people, women and Black and Minority Ethnic (BME) people. This document provides some further detail about how we think these groups might be affected.

A full Equalities Impact Assessment has been prepared for each of the initial savings proposals,

where necessary, and a summary of the overall assessment and a full report on equalities considerations is included in the formal consultation report in ****Appendix 2****

Eco impact assessment

TBA

Resource and legal implications:

Finance

The implications of the Mayor's budget proposals are fully set out within the Medium Term Financial Strategy appended to this report in respect of revenue, capital and funding.

Comments from the Corporate Capital Programme Board:

The Capital Investment Programme included in the Medium Term Financial Strategy was approved by the Capital Programme Board at its meeting on Friday 20th December 2013.

c. Legal implications:

These will be included in the final report to Council

d. Land / property implications:

These will be included in the final report to Council

e. Human resources implications:

These will be included in the final report to Council

Appendices:

Appendix 1 - Medium Term Financial Strategy (DRAFT)

Appendix A – Departmental Budgets

Appendix B – Capital Investment Programme

Appendix C – Treasury Management Strategy

Appendix 2 – Budget Consultation Feedback Report

Appendix 3 - Cumulative Equalities Impact Assessment