

Full Council

21st February 2017



Report of:	Denise Murray, Service Director Finance & S151 Officer
Title:	2017/2018 Budget Report
Ward:	City Wide
Member Presenting Report:	The Mayor and the Cabinet Member for Finance, Governance and Performance

Recommendation

For Council to consider and approve the Mayor's 2017/18 Budget recommendations which include the various elements of the Revenue budget, Capital programme, Bristol City Council's Council Tax for 2017/18 and Adult Social Care Precept.



1. Statement from the Council's Chief Finance Officer (Section 151 Officer)

Note the following:-

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 2016/17 are robust estimates that:

- Direct 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
- Contain proposals for increased income or reduced expenditure that are achievable.

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

2. Mayor's budget Recommendations to Council

That the Mayor's budget proposals in respect of 2017/18 be approved as set out in this report subject to any amendments agreed at this meeting:-

To note:

- a) The budget consultation process that was followed and feedback as outlined in Appendix 8.
- b) The Cumulative Impact Assessment in Appendix 7.
- c) That the consultation feedback and cumulative impact assessment has been taken into consideration and has informed the final budget proposals.
- d) The proposals for reducing costs and generating income, underpinning the Council's budgets for 2017/18 and future years in Appendix 6 which amount to £62.2m.
- e) The budget consultation process that will be followed where required as per paragraph 23 of this report.
- f) The comments of the Service Director Finance (s151 Officer) on the robustness of the Budget and adequacy of reserves as set out at paragraph 21.

To agree:

- g) The Council's net revenue budget for the year 2017/18 as £364.7m and Service expenditure allocations as set out in Appendix 1; subject to any budget amendments properly notified to and approved by Council in line with the Constitution.
- h) The use of up to a £1m (14%) of the risk reserve, to ensure a balanced budget in the event that any of the budget proposals contained within Appendix 6 are not progressed, following supplementary consultation. This will be until such a time that alternative proposals are identified by the relevant Directorate.
- i) The Bristol City Council levels of Council Tax of 4.99%; which includes 3% to support Adult Social Care and noting the precepts of the Police and Crime Commissioner for Avon and Somerset and Avon Fire Authority as set out at paragraph 2,9 & 11 of this report.
- j) The Council's capital budget (including the HRA) for the year 2017/18 as £213.5m

(see paragraph 13) and set the capital budget for each of the Council's directorates.

- k) Agree the Council's provisional capital budget (including the HRA) for the years 2018/19 - 2021/22 totalling £686.9m as set out in paragraph 13 and detailed in Appendix 2.
- l) The proposed total Schools budget of **£244.1m** for 2017/18 as set out in paragraph 17, which will be funded by the Dedicated Schools Grant.
- m) The proposed Treasury Management Strategy for 2017/18 in Appendix 4, incorporating the revised Minimum Revenue Provision policy and the prudential indicators and limits.

Delegation of authority

- n) The delegation of authority to the Service Director Finance after consultation with Cabinet Member for Finance, Governance and Performance and the Mayor, to make any necessary adjustments to the figures upon receipt of the final Local Government finance Settlement, due week commencing 20 February 2017.

o) Statutory Calculations in respect of Council Tax

That it be noted that Council at their meeting on 13 December 2016 approved the Council Tax Base for 2017/18 as 124,083 for the whole Council area [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")].

This calculates that the Council Tax requirement for the Council's own purposes for 2017/18 is £1,548.66

That the following amounts be calculated for the year 2017/18 in accordance with Sections 31 to 36 of the Local Government Act 1992 on the Mayor's recommended increase of 4.99%:

a)	£1,066,706,959	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act and itemised on page 3 of this Appendix.
b)	£874,544,580	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
c)	£192,162,379	being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax Requirement for the year. (Item R in the formula in Section 31A(4) of the Act).
d)	£1,548.66	being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic

	amount of its Council Tax for the year.
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To note that the Avon and Somerset Police Authority and the Avon Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.

That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2017/18 for each part of its area and for each of the categories of dwellings.

Valuation Bands (£)

Bristol City Council

A	B	C	D	E	F	G	H
1,032.44	1,204.51	1,376.58	1,548.66	1,892.81	2,236.95	2,581.10	3,097.32

Avon and Somerset Police and Crime Commissioner

A	B	C	D	E	F	G	H
121.21	141.41	161.61	181.81	222.21	262.61	303.02	363.62

Avon Fire Authority

A	B	C	D	E	F	G	H
46.19	53.88	61.58	69.28	84.68	100.07	115.47	138.56

Aggregate of Council Tax Requirements

A	B	C	D	E	F	G	H
1,199.84	1,399.80	1,599.77	1,799.75	2,199.70	2,599.64	2,999.59	3,599.50

The Council's basic amount of Council Tax for 2017/18 is not determined to be excessive in accordance with principles approved under section 52ZB of the Local Government Finance Act 1992.

3. List of Appendices

This report should be read alongside a series of appendices

- Appendix 1 - Detailed budget summary by directorate-service

- Appendix 2 - Capital Programme 2017/18 – 2021/22
- Appendix 3 - Budget Risks Matrix
- Appendix 4 - Treasury Management Strategy

Further detailed budget information

- Appendix 5 – Revenue Investment & Rebasing Services
- Appendix 6 - Specific savings proposals recommended for approval
- Appendix 7 - Cumulative Impact Assessment
- Appendix 8 - Budget consultation report
- Appendix 9 –Governance & Transformation Lifecycle
- Appendix 10 – Questions & Responses from Civic Meetings to the Budget Proposals for 2017/18

4. Executive Summary

- 4.1. The Council is required to set an annual balanced budget presenting how its financial resources, are to be allocated and utilised; thus showing the Council's financial plan for the coming year with regard to statutory services as well as local key priorities and objectives. Whilst the Council like many other across the country remains subject to financial challenges in its funding, it has prioritised the revenue resources available to fund key services – for example social care, waste & recycling and other external funds aligned to infrastructure for the benefit of its wide range of customers and to facilitate a sustainable future.
- 4.2. Overall the report recommends a net expenditure budget of £364.7m and incorporates; a package of changes that allows the Council to continue to deliver its key policies, as set out in the Corporate Strategy; including revenue investment and rebasing in priority areas of £44.2m to mitigate on going pressures, new provisions and initiatives.
- 4.3. This report outlines a balanced revenue budget for the period 2017/18 but in light of the 2016/17 forecast pressures this has only been achieved as a result of; additional resources available to the Council (for example collection fund surplus and technical accounting policy changes); a range of proposed service reductions and income generating options equating to **£33.1m** in 2017/18 and plans to deliver a further **£29.1m** of savings in future years.
- 4.4. Achieving the reported position for 2017/18 has required the tough decision to utilise the mechanism made available to Councils by the Government to levy Social Care Precepts of 3%, as a contribution towards the pressures the City faces in addressing Social Care demands and in addition increasing the Council Tax base by 1.99% to support the underlying position. The two combined uplifts equate to an overall 2017/18 Council Tax increase of 4.99%, generating an additional **£9.1m** resources to be met from Council Tax for services provided by the Council and result in an average household increase of £1.42p per week, based on Band D equivalents.
- 4.5. In addition to the above the position reported relies on £6.3m of one - off resources (not sustainable long term and increasing the gap in 2018/19) to balance 2017/18.

- 4.6. From alternative funds available to the Council for capital expenditure on Infrastructure the Council is maintaining an ambitious approach to investing in the City. The proposed Capital Programme amounts to £213.5m in 2017/18 and includes major programme of works that begin to address the ambition to make Bristol a more equal, aspirational and resilient city where everyone can share in its success.
- 4.7. The proposals above all form the basis of the Council's final revenue and capital budget for 2017/18.

5. Financial Planning and Strategic Objectives

- 5.1. The Council is a large organisation managing the delivery of a vast range of businesses either directly or through/with others. Its core purpose is to improve the quality of life for residents and effective financial management is key to this. It is important that Members are aware of the major financial challenges and opportunities to enable them to make informed decisions.
- 5.2. Since 2011/12 the Council has faced year on year reductions in government grants, of which the Revenue Support Grant (RSG) was a significant source of income. Under current Government central funding proposals, the intention is to radically change the way local authorities are funded by moving to full business rate retention and phasing out the Revenue Support Grant by 2020. The council within the West of England Combined Authority (WECA) will be piloting 100% business rates retention from 2017/18 (see paragraphs 8 & 12 for more details).
- 5.3. It is important for the Council to also focus on facilitating economic growth and developing the approach for financial management that prepares for a new way of funding services. At the same time we face the uncertainties of Brexit and its impact on the City; and the need to respond to changing behaviours by improving quality and performance, managing demand of high cost services and becoming more business-like and targeted in our approach if we are to achieve better outcomes for all residents.
- 5.4. The Medium Term Financial Strategy (MTFS) agreed by council February 2014 as a 3 year financial framework to 2016/17 has come to an end and a rolling Medium Term Financial Plan (MTFP) annually refreshed is in development. The MTFP will outline a different approach to financial management with the aim of aligning delivery of the Mayor's key outcomes (described in the Corporate Strategy 2017/18 – 2021/22) with affordability. Considering the milestones that underpin the Corporate Strategy, current performance levels, the financial climate at both the local and national level, alongside available resources. This will assist in ensuring resources are invested in activities that have the greatest impact on the delivery of priority outcomes. The MTFP will be presented to Council later in the financial year.
- 5.5. Over the last 6 years the Council has saved £170m but to be sustainable in the future the Council will need to continue to stop, change, reduce and in some cases, develop new services. The Council is required by law to set a balanced annual budget prior to the start of the financial year; however in light of the proposed changes to funding from Central Government, it is also important for the Council to set out its budget proposals for savings over a further three / five year period and provide a resource limit for 2017/18.

5.6. This report details the revenue budget for the period 2017/18; propositions which sets the direction of travel in containing planned expenditure within resources forecasted to be available in the future; and given the long term nature of capital planning the Capital Programme for 2017/18 – 2021/22.

5.7. The objective is to provide a financial plan for 2017/18, which aligns to the policy framework in which financial stability can be achieved and sustained in the medium term to deliver the Council's priority outcomes.

5.8. The financial plan is based 8 strategic objectives:

- i) To provide financial parameters within which budget and service planning should take place.
- ii) To ensure the Council sets a balanced budget, this includes consideration of the revenue implications deriving from the programme of capital investments.
- iii) To focus and re-focus the allocation of resources so that over time, priority areas receive additional resources.
- iv) Ensuring services are defined on the basis of a clear alignment between priority and affordability.
- v) To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area.
- vi) To plan the level of council tax (as low as possible) in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities whilst gradually reducing the Council's reliance on Central Government funding.
- vii) To maintain balances at or above the minimum prudent level as determined by the Service Director Finance and in view of the long term position add to balances whenever the opportunity arises; and
- viii) To ensure that the financial, operational and strategic risks faced by the authority are considered and the Council's long term financial health and viability remain sound.

Key Considerations

5.9. The 2017/18 budget proposals need to be sustainable within the anticipated available resources; these are:

- Central Government Grants
- Retained Business Rates
- Council Tax
- Balances

5.10. The refreshed Corporate Strategy 2017-2022 which sets out our strategic direction, the current financial position and economic outlook provides the policy and financial framework upon which the annual revenue and capital budgets have been set. However in light of continuing government spending cuts, providing sustainable budgets beyond 2017/18 and the need to maintain a prudent level of balances remains a significant challenge facing the Council.

5.11. Corporate Strategy 2017 – 2022 outlining the vision and priorities for Bristol; can be accessed via the link below:

[Corporate Strategy 2017-2022](#)

6. Revenue Budget position for 2016/17

6.1. This report is concerned mainly with the budget estimates for 2017/18 however; there are elements of the 2016/17 estimated outturn that will have an impact on the overall financial position.

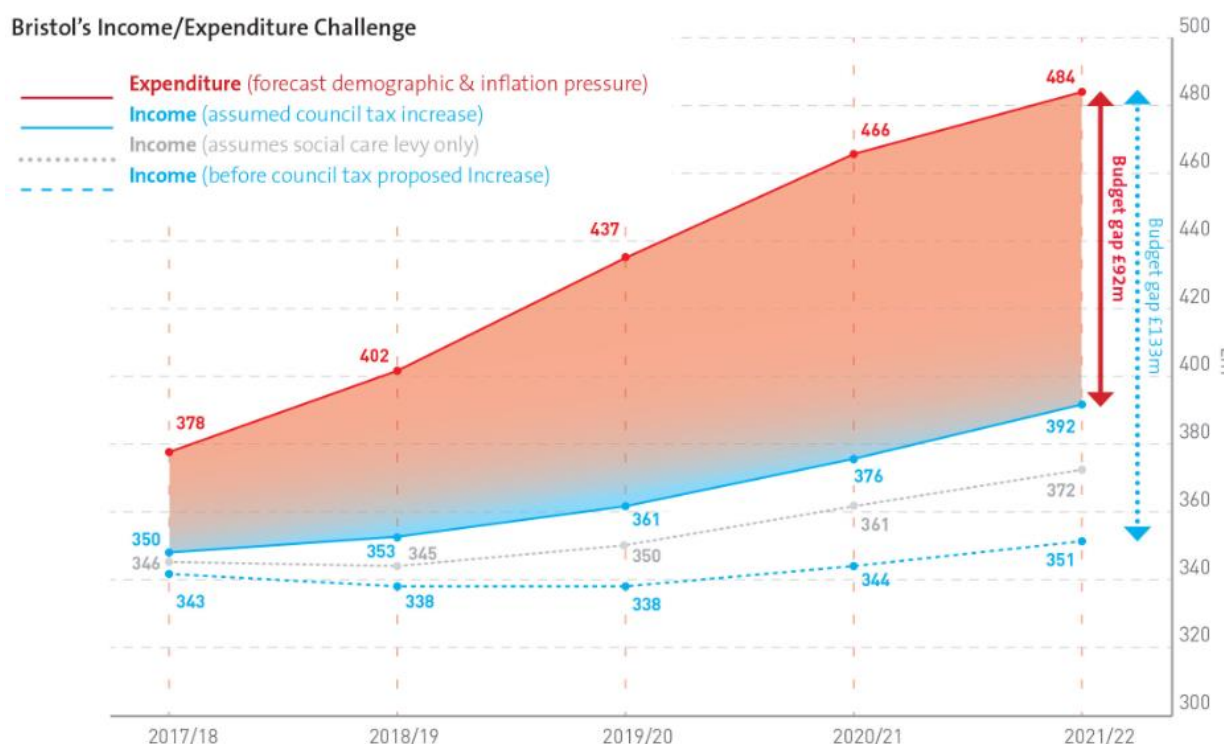
6.2. The latest position, as at Period 8 (November 2016), is a forecast year end revenue overspend of circa £13m. In addition the indicative re-profiled expenditure plans for the capital programme indicates that the cost of financing the long and short term debt in 2016/17 is anticipated to be circa. £2m less than budgeted for within the General Fund. Further information regarding this forecast position will be set out in the Period 9 Monitoring Report which is to be considered by Cabinet at its meeting on the 7 March 2017.

6.3. We will continue to seek to reduce the in-year pressure however, if the Council does end the year as outlined above a, corresponding draw down of circa. £11m from earmarked reserves will be required. This position is reflected in the analysis of reserves and balances in subsequent sections of this report.

7. Revenue Budget Overview 2017/18

Context

7.1. In commencing 2017/18 Budget Setting the Council faced a financial gap of £28.3m (as per the MTFs agreed by Council February 2016).



7.2. The Council's Budget Requirement is £364.7m for 2017/18 and is summarised in the table below.

Summary of Funding Gap							
	Original						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Base Revenue Budget	345,437	345,433	364,741	375,851	389,115	419,293	
Inflation & Central Adjustments		8,135	15,731	16,735	25,535	12,260	
Investment in Services	0	44,242	11,913	6,634	6,647	2,028	
Savings / Efficiencies	0	(33,068)	(16,534)	(10,105)	(2,003)	(488)	
Annual Budget Requirement	345,437	364,741	375,851	389,115	419,293	433,093	
Financed by:							
Total Funding	345,437	364,741	361,552	366,625	378,363	391,028	
Residual (Surplus) / Deficit	0	(0)	14,298	22,490	40,930	42,065	

7.3. The budget requirement reflects the cost of services for 2017/18, the impact of external cost pressures and the proposed service reductions and income generating options of £33.1m.

7.4. Under section 25 of the Local Government Act 2003 the Service Director Finance, is required to provide a view as to the robustness of the estimates made for the purpose of calculating the Council's budget. This statement is set out in paragraph 21. An explanation of the component parts of the table follows below:

Changes and Key Assumptions

7.5. Base Budget

7.5.1. The Base budgets are by far the most significant element of the Council's budget, they are the mainstream budgets for services, are monitored monthly, reported to the Senior Leadership Team (SLT), Mayor and Cabinet. An incremental approach has been adopted and whilst not the most efficient mechanism, it is one that is easy to understand, apply consistently and enable the changes applied to the current year budgets to be easily visible.

7.6. Investment and Rebasing Services

7.6.1. Part of the Budget process each year looks at unavoidable pressures on services that will have an on-going financial impact, some of which are outside of the control of the service itself and cannot be immediately addressed by savings/efficiencies. Examples of these would be non-negotiable contractual changes, which have a direct impact on costs, legislative changes such as new functions / standards and organisation development.

7.6.2. There are other areas where the current budget is not adequate for the level of demand within the service, loss of grants or reduction in income is anticipated. Whilst these can be addressed it may not be possible to mitigate these changes immediately due to the need to revise commissioned activity or develop exit strategies.

7.6.3. £44.2m has been invested in priority service areas to facilitate a rebasing of the budgets or award of growth for emerging pressures / new burdens. The key areas over £1m are summarised as follows:-

Neighbourhoods £2.9m

7.6.4. The above investment supports budget growth across a range of activities including: to offset the impact of the reduction in the DWP administration grant; housing benefit subsidy loss; the increasing use of temporary accommodation and the programme resource to start to meet the Mayor's manifesto commitment to build 2,000 homes a year by 2020, 800 of which will be affordable homes.

Place £9.2m

7.6.5. The proposed 2017/18 budget has been rebased to give a proper starting point for closing the budget gap. Service budgets with evidenced historical / ongoing budget pressures that cannot be contained have been allocated additional funds. This includes £7.7m investment in Corporate Property Services to improve the performance of the property portfolio. It involves the alignment of property asset plans with business strategies, ensuring efficiency in use of space and creating a portfolio of quality accommodation which is well maintained, serviced and affordable.

People £17m

7.6.6. The above figure includes £8.6m significant ongoing pressure across social care which cannot be contained within the budget and have been allocated additional funds. This includes the investment of council tax precept at £5.5m, and £2m adult social care grant.

7.6.7. Follow central governments tapered reduction of the Education Services Grant (which supports the delivery of education support services to schools); we are reinvesting a significant portion back into the service to maintain key service levels. This requires an investment of £1.8m in 2017/18, with further investment in 2018/19.

- Investments also include £1.4m for the implementation of the National Living Wage associated to Adult Social Care as a significant proportion of contract costs are aligned to workers who receive pay at the minimum wage.
- Local authorities are now required to facilitate, monitor and support staying put arrangements for fostered young people until they reach the age of 21. As a result we will be investing £1.3m for extending the period of time where these families are financially supported.

Resources - £3.5m

7.6.8. The pressure above is attributed to the ICT service and relates to additional hardware, maintenance and development costs and ongoing pressures that have been reported through monthly Cabinet reports. This increased funding mitigates the main pressure whilst also setting a challenge to minimise costs to produce a balanced budget.

7.6.9. In addition to the re-baselining of 2017/18 budgets, growth and inflation awards has been examined and built into the base budget and Directorate spending limits are outlined in Appendix A. Should pressures emerge in-year Directorates will be challenged to explore alternative options for meeting the cost pressures faced within their existing resources or seek supplementary Cabinet approval prior to increasing the agreed spending limit.

7.6.10. Central & Cross Directorate - £10.9m

- Learning & Development - 'the right people in the right place at the right time' and then engaging, developing and retaining them is vital to the health and effectiveness of the council; £1.2m has been set aside for this purpose and improve capacity to effectively procure.
- General fund impact of Housing Revenue Account recharges – £1.3m allowance for reduced general fund recharges for activities commissioned by HRA and £7.4m rebasing for the prior cross directorate change programme not delivered.

7.6.11. In additional to the above one off provisions have been set aside to support the delivery of the savings £5m and for cost of redundancies (£7.15m). These have not been added into core budgets but provided for in earmarked reserves for draw down.

7.7. Savings Proposals

7.7.1. A key priority of the Council's budget strategy is the delivery of savings through: improving our business efficiencies; changing how we fund and provide services by providing different amounts of funding to services, making small changes to what they do, or maybe providing the same thing in a different way; increasing our income generation by introducing or raising our charges and maximising the use of our assets and stopping doing something completely or reducing it significantly.

7.7.2. Over the last 6 years, significant savings have been required to meet revenue grant reductions arising from reductions in funding for local government as part of the ongoing austerity programme. Since 2010/11 £170m of savings have been identified, another £33.1m of savings are proposed in the 2017/18 budget, and £29.1m for future years. A summary of the savings are shown in the table below (full details of the savings recommended for approval are set out in Appendix 6).

Nature of Proposal	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
Improving our Business Efficiency	(14,295)	(3,923)	(570)	(500)		(19,288)
Bristol Waste Company	(514)	(52)	346	(4)		(224)
Changing how we fund and provides services	(9,947)	(6,342)	(9,007)	(58)	(58)	(25,413)
Increasing our Income	(1,886)	(1,366)	(264)	(850)	(242)	(4,608)
Reducing or Stopping Services	(6,426)	(4,851)	(610)	(591)	(188)	(12,666)
Total All Proposals	(33,068)	(16,534)	(10,105)	(2,003)	(488)	(62,199)

7.7.3. Every service has been subject to a review and varying degrees of consultation and engagement has ensued. The recommendations emanating from this process will determine the future makeup of the functions delivered and services designed to dovetail into the council's future delivery model. The propositions are at different stages of development and this will need to be reflected in the assessment of reserves.

7.7.4. As outlined in the investment section above a fund has been established to provide project management, specialist support and gateway process designed to ensure that directorates are equipped and have the capacity to meet the demands of managing services whilst delivering complex service transformation.

7.7.5. A residual budget gap of some £42m remains in future years and the Senior Leadership team, Mayor and Cabinet welcome further ideas for income generation. You are invited to bring your innovative and entrepreneurial skills to the fore and share your ideas in a safe environment to enable a more commercial approach to be adopted in addressing the residual shortfall.

7.8. Commercial Investments

7.8.1. The council has a range of commercial interests and is the single shareholder for a number of wholly owned companies. These businesses will be able to deliver services, whilst at the same time access a wider market to generate income from additional customers. As with many new ventures or company start-ups investment will be required and it is anticipated that from this investment the Council will benefit from the generation of profits, which following the pay-back period can be used as appropriate to support the Council's revenue budget position or deliver key priorities.

7.8.2. Where investments are made in 2017/18, this will be subject to the performance parameters agreed by the Shareholder and reported to the Shareholder Group quarterly. To ensure the investment is protected, commercial information that could impact on an individual company value will be managed sensitively. As a public authority it will be necessary to consider, the sensitivity of the information being requested at the time of the request and the nature of any harm that would be caused prior to disclosure.

8. Funding

8.1. Local Government Finance Settlement

8.1.1. The parliamentary debate on the Final 2017/18 Local Government Finance Settlement will take place shortly after Parliament returns from recess on Monday 20 February and the date for publication of final settlement by the Department for Communities and Local Government is not yet known. The budget therefore will be set based on the provisional local government settlement and authority delegated to the Service Director Finance after consultation with Cabinet Member for Finance, Governance and Performance and the Mayor, to make the necessary adjustments following notification of the final settlement via a reserve adjustment.

8.2. Provisional Local Government Finance Settlement – Key changes

8.2.1. The Government announced the Provisional Local Government Finance Settlement for 2017/18 on 15th December 2016. The Local Government Finance Settlement determines how much grant central government will give to each local authority in the forthcoming financial year.

8.3. Core Spending Power

8.3.1. The 2015 Spending Review set out the expected available revenue for local government spending through to 2019/20. This was intended to provide local authorities with some certainty of the level of resources for the period 2016/17 through to 2019/20. The Government's calculation of core spending power derives from:

- i) The Settlement Funding Assessment (SFA) – which represents the government's current approach to funding local authorities through Revenue Support Grant and retained Business Rates
- ii) Council tax income – for 2017/18 to 2019/20, the figures have been estimated by applying each local authority's average annual growth in the council tax base between 2013/14 and 2016/17 throughout the period to 2019/20, assuming that local authorities increase their Band D council tax in line with the 2% referendum limit throughout the period to 2019-20
- iii) The potential additional council tax available from the adult social care levy flexibility. For 2017/18 to 2019/20, this has been estimated by assuming all eligible local authorities also continue to take up two per cent adult social care flexibility
- iv) Additional Better Care Funding from 2017/18 – which represents £105m nationally, of which the Council's allocation is £340,000
- v) The 2017/18 Adult Social Care Grant - £241m to be distributed according to the adult social care relative needs formula, of which the Council's allocation is £2m
- vi) Funding for the New Homes Bonus which has now reduced from 6 to 5 years for 2017/18 and with the introduction of a 4% baseline growth before any funding is allocated

8.3.2. From this the Government has provided the following exemplification of core spending power for Bristol City Council which indicates a reduction in spending power of 1.85% in 2017/18 and 1.26% over the Spending Review period:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Core Spending Power	345.9	339.5	343.7	352.7

8.3.3. The following table provides a more detailed breakdown of the Government's estimates of the Council's core spending power based on their assumptions:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	60.4	41.8	29.6	17.3
Business Rates	93.3	95.3	98.4	101.8
Council Tax	175.0	182.5	190.4	198.6
Council Tax – Social Care	3.4	7.2	11.4	16.0
Better Care Funding	0	0.3	6.2	11.6
Adult Social Care Grant	0	2.0	0	0
New Homes Bonus	13.7	10.3	7.7	7.4
Core Spending Power	345.9	339.5	343.7	352.7

8.4. Adult Social Care Grant

8.4.1. The Provisional Local Government Finance Settlement 2017/18 included a new one-off "Adult Social Care" grant worth £240m nationally, to be funded from additional savings resulting from New Homes Bonus reforms not previously anticipated from the "Sharpening the Incentive: New Homes Bonus" consultation. Savings from the New Homes Bonus have been reallocated to support recognised national pressures facing Adult Social Care. This has been allocated based on relative needs formula and the ability to raise additional council tax through the precept, for Bristol City Council this amount is £2m, however this does not fully make up for what was lost under the reforms to the New Homes Bonus.

8.5. New Homes Bonus

8.5.1 The New Homes Bonus was introduced in 2011 to reward those authorities in delivering additional housing growth either through new build or bringing empty properties into use. Under this scheme each additional property attracted grant funding, based on the national average band D council tax rate, with an additional uplift for affordable housing. In the 2015 Autumn Statement the government announced its intention to amend the scheme, and this has been confirmed in the draft settlement agreement. Savings from the revised scheme have been used to finance the new Adult Social care Support Grant.

8.5.2 Under revised arrangements payments to Councils will be reduced from 6 years to 5 years for 2017/18 (which equates to a loss of grant of some £2.6m in 2017/18), and for 4 years after that. In addition a 0.4% baseline has been introduced so that authorities will need to attract growth above this to receive any new grant, which has led to a loss of a further £1.1m.

8.5.3 The table below sets out the impact of these changes for Bristol.

	2017/18 £m
Previous MTFP assumption	13.8
Current budget	10.1
Difference	(3.7)

8.6. Business Rates

- 8.6.1 In its 2016 budget the Government committed to piloting the early implementation of 100% business rates in a number of areas. This offer was available to those authorities with a ratified devolution deal. Following Cabinet approval in October 2016, Bristol along with South Gloucestershire and Bath and North East Somerset Council's made a successful application to the Secretary of State to form the West of England Pilot.
- 8.6.2 Pilot authorities will each retain 100% of locally raised business rates. In return they will forego Revenue Support Grant (RSG) and a number of other funding streams. Each authority's tariffs and top-ups will be adjusted to ensure cost neutrality.
- 8.6.3 These pilots have been created to help the Government understand how 100% business rate retention would work in practice. 100% business rate retention will be brought-in across England by the end of this parliament, most likely in 2020-21, but possibly a year earlier in 2019-20.
- 8.6.4 Under the arrangement in place to the end of 2016/17 Bristol City Council retained 49% of business rates collected with 1% going to the Fire Authority. The other 50% was returned to government alongside the same from all other collecting authorities. Government then used that money in its entirety to fund local government through Revenue Support Grant or other specific grants.
- 8.6.5 For the period of the pilot, the allocation of the business rates income from the 100% pilot to individual authorities would be on the basis of the amount of retained rates the authority would have achieved under the existing 50% scheme, and distribution of any remaining surplus based on the contribution from each authority.
- 8.6.6 There are two key benefits from the 100% business rate retention proposal. Firstly and growth in business rate income above the baseline will all be kept by the authorities rather than being shared with government and secondly because a levy would no longer be payable on the additional business rates received as would have happened under the existing scheme. The Council will however pay a higher tariff.
- 8.6.7 Since publication of the report to Cabinet in January the Government has issued its draft agreement for piloting business rates retention amongst the West of England authorities, and the business rate estimated income has been reassessed in light of finalisation of the Council's statutory business rate return. This has led to a reduction of £0.65m estimated income for 2017/18, primarily as a result of lower than anticipated growth in the Enterprise Areas and Enterprise Zone. The

amended estimate of £149.8m is still provisional pending publication of the final settlement.

9. Social Care Precept

- 9.1 In 2016/17 the Council had the flexibility to increase Council Tax by up to 4% (2% City Council's base element and 2% Social Care Precept) without holding a local referendum on the matter. In recognition of the increasing pressure on Adult Social Care services across the country the Government have increased this flexibility by a further 1% Social Care Precept, taking the maximum up to 5%.
- 9.2 Demand pressures are evident, in particular in relation to the demand for services such as Adult Social Care and this levy would increase the Council's funding by £5.5m in 2017/18, to be spent in support of Adult Social Care spending (average monthly cost per band D equivalent household of £3.74 for this element only).
- 9.3 The recommended budget within this report assumes the council will take up the previous and additional 1% flexibility in order to increase the resources available to fund Adult Social Care services in the city.

10. Collection Fund Surplus/(Deficit)

- 10.1 Bristol City Council is required by statute to maintain a Collection Fund separate from the General Fund of the Council. Income from Council Tax and Business Rates are fixed at the start of each financial year. Any variations from this are realised through the Collection Fund and are distributed in subsequent years. Following changes to council tax discounts and exemptions and localisation of business rates from 2013/14 there is now significantly greater volatility and risk in relation to collection fund income.
- 10.2 As previously reported to Council on 17 January 2017 overall there is an estimated surplus on the Collection Fund for the year ending 31 March 2017 of £17.8m. This is comprised of an estimated surplus of £4.6m for Council Tax and an estimated surplus of £13.2m for Non-Domestic Rates (NDR). Bristol City Council's share of the overall estimated surplus is £10.4m, comprised of an estimated surplus of £3.9m for Council Tax and an estimated surplus of £6.5m for NDR.
- 10.3 The Business Rate collection fund surplus of £13.2m (Council share £6.5m) for 2016/17 is based on current collection rates, the latest Valuation Office Rating List, notified changes and provision for appeals.
- 10.4 Of the estimated total 2016/17 surplus of £10.4m, it is proposed that £6.3m be utilised to support the 2017/18 budget and £4.1m be set aside to reserves in line with the reserves policy set out in paragraph 14 of the report. The surplus should be seen as a one-off resource as growth has already been factored into the base for 2017/18.

11. Council Tax 2017/18

- 11.1 The referendum threshold for increasing the Council Tax has been increased to 5% to take account of the new flexibility regarding the Social Care Precept. The precept will

need to be identified separately and the S151 Officer will be expected to notify the Secretary of State of the amount intended to be raised and verify that the funding has been used for Adult Social Care.

Calculation of the Council's Tax Base

11.2 At its meeting on 13 December 2016 the Council agreed Bristol City Council's Tax Base for the year 2017/18 as **124,083**. This represents an increase of some **2.6%** on the previous year's tax base (120,946).

Council Tax by Band

11.3 It is recommended that the following amounts be submitted for agreement by Full Council for the year 2017/18:-

- a. **£192,162,379 (2016/17 £178,402,606)** being the sum to be met from council tax in 2017/18 for services provided by the Council;
- b. Bristol City's Council's share of the council tax for the year 2017/18 for the services it provides for each category of dwelling shown as follows:-

2017/18 Council Tax	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band G
	£	£	£	£	£	£	£	£
2017/18 Council Tax	1,032.44	1,204.51	1,376.58	1,548.66	1,892.81	2,236.95	2,581.10	3,097.32
2016/17 Council Tax	983.37	1147.27	1311.16	1475.06	1802.85	2130.64	2458.43	2950.12
Percentage Increase	4.99%	4.99%	4.99%	4.99%	4.99%	4.99%	4.99%	4.99%
Annual Increase	49.07	57.24	65.42	73.60	89.96	106.31	122.67	147.20
Monthly Increase	4.09	4.77	5.45	6.13	7.50	8.86	10.22	12.27
Weekly Increase	0.94	1.10	1.26	1.42	1.73	2.04	2.36	2.83

12. West of England Combined Authority

12.1 On 14th November the Cabinet delegated to the Chief Executive, in consultation with the Leader of the Council, authority to take all decisions, to make all necessary appointments, arrangements and provide written confirmation to the Secretary of State consenting to the making of the Order creating a West of England Combined Authority (WECA). Subsequently on the 12th January 2017, the Chief Executive provided such confirmation to the Secretary of State.

12.2 The order to establish the West of England an elected mayor and a combined authority was approved on the 7 February 2017. This will confer important new powers onto both the mayor and the combined authority paving the way for a more balanced economy and economic success across the region.

12.3 The key financial implications were set out in detail in the specific decision reports of 29th June 2016 and 14th November 2016. It is now anticipated that the WECA will meet on the 15th March 2017 to consider and set the Mayoral and WECA Budget 2017/18.

12.4 In anticipation of this, it is appropriate to include within the Council Budget reasonable financial provisions related to the financial arrangements for the WECA, in particular:-

- i) Capital Grant payments from the WECA to the Council in respect of Highways Maintenance, Highways Maintenance Efficiency funding and Transport Improvement funding (previously funded directly by the Department for Transport).
- ii) Contributions to the WECA from the Council to meet the costs associated with transferring transport functions including concessionary fares, community transport and Provision of real time bus information.
- iii) Appropriate commissioning payments from the WECA to the Council for delivery of transport activities to ensure continuity of service provision.
- iv) Within the Business Rates Collection Fund to provide for an appropriate share of Business Rates (5%) to be allocated to the WECA in accordance with the 100% Business Rate Retention pilot to meet the costs of Highways Maintenance and Transport Improvement Grants.

12.5 The above reflect the appropriate movement of funds in line with the devolution deal and initial consideration is being given of how the one-off implementations costs could be reimbursed by the WECA (up to £0.5m for each of the councils).

12.6 In addition to the above, the Council will be working with the WECA to continue to identify further opportunities to deliver efficiencies and savings particularly relating to transport and infrastructure functions and collaborative working across the region.

12.7 In order to avoid any potential for movements in Council reserves and balances arising from the relative risks of the WECA functions and responsibilities, it is anticipated that the WECA will seek to hold specific balances and reserves or drawdown unallocated gain share.

13. Capital Programme

13.1 The Council is playing a key role in investing in its community; that is providing facilities for local people to use as well as business premises that provide jobs and opportunities. Our longer term capital programme aspirations are significant, however we recognise that these investments are essential if we are to deliver revenue savings and transform our capacity to meet future needs.

13.2 The approach has been amended for 2017/18 to improve transparency and certainty on what is in the approved programme. The previous presentation of considering Tier 1, Tier 2 and Tier 3 programmes (of which only funding for Tier 1 was reflected in the medium term financial plan) has been replaced with one programme which the Mayor is putting forward for approval – along with the estimated revenue implications of that proposed programme.

- 13.3 Capital and revenue expenditure cannot be considered in isolation of each other. A larger and more ambitious capital programme on the one hand can facilitate more cost effective asset management, improving efficiency and the need to incur cost of maintenance, and can help deliver economic growth, but it means the Council will incur a higher level of fixed costs for the foreseeable future and impacts upon revenue resources available to fund day-to-day services. The programme set out will increase capital financing charges by an estimated £27m in 2021/22.
- 13.4 Prioritisation of the programme is therefore essential to ensure it remains within an affordable envelope and has involved broadly ranking new pressures and prior tier 2 and 3 schemes as essential, high priority, priority and desirable. The outcome of that exercise is reflected in the programme that is now recommended to Council. Going forward a renewed capital strategy will be developed, in parallel with the asset management strategy that will outline the approach to capital investment, ensuring that it is affordable, sustainable and prudent, and aligned to the Council's corporate priorities.
- 13.5 The Council must ensure sufficient funding is available to meet the requirements of the agreed projects within its Treasury Management Strategy which is regularly reviewed and updated to reflect projects as they are refined or become ready for delivery.
- 13.6 Table below summarises our current capital spending plans for the next five years that total £900.4m.

Capital Programme	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£000's	£000's	£000's	£000's	£000's	£000's
People Directorate	30,826	35,472	25,310	32,500	15,300	139,408
Place Directorate	107,202	72,109	106,631	73,875	60,857	420,674
Neighbourhoods Directorate (GF)	8,794	10,450	3,600	2,400	2,400	27,644
Resources Directorate	8,135	7,600	2,700	2,700	2,700	23,835
City Director & Corporate	17,558	14,075	17,213	10,000	10,000	68,846
Housing Revenue Account	41,000	47,000	44,000	44,000	44,000	220,000
Total	213,515	186,706	199,454	165,475	135,257	900,407

The detailed draft programme and its financing is set out in Appendix 2.

- 13.7 An idealistic model for public sector capital investment portfolio is one that provides an appropriate blend of investment to do the following:
- undertake mandatory duties keeping the public safe and maintain its investment,
 - invest to grow the economy; and
 - invest to save by reducing costs that would be borne by the revenue account or generating external income.
- 13.8. Further consideration will be given to the appropriate blend of future schemes in the Medium Term Financial Plan.

14. Risk Management

14.1 This section of the report advises of any significant risks identified in the budget process, quantifying these wherever possible, and sets out the range of measures and provisions put in place to mitigate these.

14.2 General or unallocated reserves are held against the risk of unanticipated expenditure or reduced income arising in any particular year. In addition some specific/earmarked reserves are set aside to manage timing differences between the receipt of income and expenditure being incurred, in accordance with accounting rules.

Risks Analysis

14.3 There will always be risks inherent in the budget process. What is important is that these are identified and mitigated / managed effectively. Key risks have been categories into one of three groups:

- (i) Risks associated with the delivery of material revenue projects,
- (ii) On-going risks; and
- (iii) Emerging risks.

The most significant of these are summarised below:

Risks associated with the delivery of material Revenue projects

14.4 The budget process makes assumptions about the **delivery of a range of propositions** some of which could be considered complex and the level of revenue savings that can be achieved in each year and a number of potential risks have been identified within this area:

- Timing and profiling - the ability to fully deliver both ongoing 2016/17 savings and proposals set out in the revenue budget for decision on 21 February 2017 in line with the profile
- A small number will require further consultation, which if not efficiently managed could result in delays; and
- The ability to deliver services within the refreshed baseline level of available resources.

14.5 Given the level of savings targeted through transformational change and procurement, a robust process of actively tracking and reporting on savings delivery is recommended for 2017/18, Resources should be earmarked and available to support all Directorates in delivering complex savings. It is anticipated that project management skills & specialist resources will assist in ensuring optimum costs / benefit is realised. A possible governance approach is outlined in Section 16 - Transformation Governance of this report.

14.6 Saving propositions result in redundancy costs and pension strain for which there are no central provision. If not rectified this will result in costs needing to be contained at directorate level.

14.7 It is recommended that a fund is established to fund all redundancy costs within general fund services, that are directly attributed to reviews and savings programmes. This provision is one-off, and actual numbers are not yet determined, however given the

scale of the savings that will be necessary over the medium term it may need to be increased in future years.

14.8 On-going risks

- i) **Legal Claims** - there is an increased risk of compensation claims arising as a result of specific events and emerging issues. It is necessary for BCC to ensure sufficiently resource to protect BCC position and appropriate advice / advisors accessible.
- ii) **Schools PFI Sinking Fund** – requirement to establish a fund to ensure the ability to meet ongoing contractual liabilities to the term of the contract.
 - a. It will be necessary to work with Individual PFI Schools, wider School Community and Contractor to agree a sustainable long term solution.
- iii) **Capital Receipts** - a further risk relates to the realisation of capital receipts in line with amounts recognised in the capital programme and the ability to deliver and afford the full programme if these do not materialise.

Emerging risks

- 14.9 Major Projects – risks of cost escalation, overspends requiring increase in capital financing costs and subsequent impact on general fund revenue budget.
- 14.10 Project health checks / stress tests recommended, with regular monitoring and reporting via internal assurance mechanisms.
- 14.11 Volatility of Business Rates Income - Business rates pilot, 100% business rates retention; risk that growth projections are incorrect; don't fully capture the impact of the extended Enterprise Zone and new burdens that follow are not fully factored into the forecast.
- 14.12 Volatility of income for services funded in partnership; risk that the current economic climate fosters an approach of cost shunting across the various sectors and greater collaboration is required to ensure that a whole systems approach is adopted that delivers the best value for money for the public purse.
- 14.13 Change in the final local government settlement - The budget has been set based on the provisional Local Government Finance settlement and estimates based on latest data sets for business rates. Should a variation occur in the final settlement these will need to be managed via a drawdown from reserve.
- 14.14 BREXIT Article 50; - Potential for a 2nd shock wave or more gradual slow down during the period of uncertainty; potential to impact on inward investment, the Housing Market, Social care providers and procurement costs,
- 14.15 Proactive approach in mapping business flight risks, pinch points and consider incentives for businesses / discounts and explore options for de-risking housing developments.
- 14.16 There are a number of other risks that have been considered but are being kept under review and can be managed within the general fund balance an example of these

would be Demand Management, Home to School Transport, Welfare Reforms, Council Tax Collection rates and winter pressures.

- 14.17 Appendix 3 shows the Budget Risk matrix, setting out how the risks identified in this report are managed. It is important to recognise, however, this list should not be seen as exhaustive due to the complexity of the Council's activities and the environment within which we operate.

15. Reserves and Balances

- 15.1 The Council holds a number of reserves as part of its approach to maintaining a sound financial position and to demonstrate that there are no material uncertainties about the Council as a going concern. The requirement for financial reserves is linked to legislation such as Local Government Act 1992 which requires Councils to "have regard" to the level of reserves needed to meet future expenditure when calculating a budget.
- 15.2 The application and use of reserves supports the achievement of service delivery and improvements and in addition can support any in year service budgetary pressures or budget pressures arising from Central Government's ongoing funding reductions. The Council's reserves policy is described below and reflects the guidance previously provided by the Audit Commission in respect of the appropriate level of strategic reserves:

Strategic & General Reserve

- 15.3 The purpose of the Council's Strategic Reserve is to cover emergency events only such as unforeseen financial liabilities or natural disasters. This reserve will be maintained at a minimum level of between 5% and 6% of the council's net revenue budget.
- 15.4 The purpose of the councils General Reserve is to support one-off and limited on-going revenue spending.
- 15.5 The combined balance on the Strategic and General Fund Reserve at 31 March 2016 was £20m. In taking account of the strategic, operational and financial risks facing the authority this reserve will be maintained at this level for 2017/18.

Earmarked reserves

- 15.6 The purpose of the Councils earmarked reserves is to meet identified spending commitments.
- 15.7 These reserves will only be used for the purpose for which they were created and will be reviewed periodically but as a minimum annually.
- 15.8 The opening balance on Earmarked Reserves at 1 April 2016 was £106m (representing circa 30% of the net budget requirement). Utilisation of £45.8m is planned during 2016/17, with a carry forward balance anticipated of £60.2m. The pressures on public finances currently and for the medium term are intense. Therefore,

the ability to retain reserves long-term for unforeseen events and circumstances becomes not only difficult but something that requires careful consideration.

- 15.9 In accordance with the policy on reserves all forecasted balances at 31 March 2017 have been reviewed for their continuing need, alignment with council priorities and a risk assessment considering internal and external factors undertaken. The review identified a number of key areas of which specific one off reserves were required and the identification of a range of additional one-off funding sources e.g. Collection Fund surplus, as provided the opportunity to realign funds for priority investments and release £11m to mitigate the 2016/17 forecasted deficit.

Earmarked Reserve Summary		£000
Opening Balance		(105,976)
2016/17 Planned Draw Down		45,695
2016/17 Forecast Deficit		11,000
New Contribution		(21,433)
New Opening Balance		(70,714)
New Contribution Financed By:		
Minimum Revenue Provision		6,000
Capital Receipts		11,300
Collection Fund		4,133
Total		21,433

- 15.10 The table below summarises the movement and shows estimated earmarked reserves at 1 April 2017.

Indicative Opening Values			
Reserve Type	Sum of Revised Balance 01.04.16	Sum of Movement and Additions	Sum of New Opening Balance 17/18
Capital Investment	(21,358,987)	4,136,804	(17,222,183)
Finance	(15,280,609)	6,807,651	(8,472,958)
Ring-Fenced Reserves	(9,157,106)	250,000	(8,907,106)
Risk	(19,772,148)	13,658,605	(6,113,543)
Service	(11,895,941)	7,772,010	(4,123,931)
Transformation	(23,009,904)	20,044,817	(2,965,087)
Reserves < £500k	(5,501,273)	2,524,655	(2,976,618)
Future Council Support	-	(5,000,000)	(5,000,000)
Redundancy Reserve	-	(7,133,000)	(7,133,000)
Legal Reserve	-	(750,000)	(750,000)
Risk Reserve	-	(7,050,000)	(7,050,000)
Grand Total	(105,975,969)	35,261,542	(70,714,426)
Strategic & General Reserve	(20,000,000)		(20,000,000)
	(125,975,969)		(90,714,426)

15.11 The combined total of the reserves is anticipated to be £90.8m in 2017/18, with the Strategic & General balances in isolation representing 5.5% of the net budget requirement.

15.12 The levels of General and Earmarked reserves recommended in this report for the financial year 2017/18 are believed to be sufficient to meet all of the Council's obligations and have been based on a detailed risk assessment. The limits will be reviewed on an annual basis against prevailing risk assessments which consider both internal and external factors.

	Opening Balance 01.04.16	Opening Balance 01.04.17
	£000	£000
Budget Requirement	345,324	364,741
Total Strategic & General Reserve	(20,000)	(20,000)
Strategic & General Reserve	-5.8%	-5.5%
Total Earmarked Reserve	(105,976)	(70,714)
Earmarked Reserve	-30.7%	-19.4%

16. Transformation Governance, Assurance and Support 2017/18

16.1 To ensure successful sustained transformation within the organisation robust governance and delivery framework is being put in place to enable timely decision making and provide delivery assurance.

16.2 The governance and delivery framework is based on some simple principles, namely:

- enables fast, flexible decision making;
- works to a single version of the truth to ensure accuracy;
- visible & transparent;
- ownership and accountability with services;
- proportionate rigour;
- maximising the implementation of best practice.

16.3 The governance around the organisation's transformation has been designed to enable officers to make timely decisions, keep projects on track, highlight and act upon any risks and issues quickly to deliver solutions. It will constantly balance the need to provide thorough review points to ensure we are always getting best value for the City from the changes we are making, whilst looking to make swift decisions to ensure the momentum behind these initiatives is maintained and culminates in fast delivery.

16.4 In practical terms the governance arrangements will consist of a number of new forums connected with the existing well-established meeting structures to ensure no duplication, expedience of decision making and continual assurance. In terms of new forums, a Transformation Board and Transformation Executive will be put in place.

- 16.5 The Transformation Board will be where the main governance of change takes place, where major decisions to start, continue and/or stop, or close a transformation initiative will be made. It will be made up of senior officer representatives from across the organisation with the Chief Executive as Chair. Its main focus will be to:
- hold and champion the cross-organisational view and impact of all transformation activities;
 - provide top-level support to overcome change or delivery problems;
 - hold each other to account;
 - track/monitor the financial position, savings and delivery requirements.
- 16.6 The Board will be fed by the most up to date, rich information/data available to ensure the right decisions are made within the required timeframe.
- 16.7 The Transformation Executive will be where the Mayor and Cabinet Member for Finance, Governance & Performance will be kept up to date with progress on delivering savings and change, and where appropriate, take the necessary decisions to keep activity moving forward.
- 16.8 On a more day to day delivery basis discussions and decisions relating to the development and management of projects will take place in existing management meetings called Directorate Leadership Teams, where Service Directors will take the lead on design and delivery, reporting into Strategic Directors. Here items will be identified for escalation to the Transformation Board as well as providing a forum for innovative ideas to be developed and talked through in more detail.
- 16.9 A Programme Management Office will undertake the role of ensuring that robust reporting principles and systems are in place to manage all transformational activity. Underpinning this is a strong project methodology, based on national and international best practice (Agile, PRINCE2, Green Book standards).
- 16.10 This methodology will, support the organisation and our people to manage delivery of change effectively and efficiently. A key element of this robust management will be tracking and reporting on essential project metrics such as financial alignment to business cases, delivery, project milestone plans, risks and outcomes. This information will be reported routinely, in an objective way, as part of an overarching governance structure. This will enable decisive action to secure and sustain the Council's part in the future direction of Bristol.
- 16.11 A visual outlining the indicative principles for governance and transformation lifecycle is attached at Appendix 9.

17. Dedicated Schools Grant

- 17.1 On the 10 January 2017, the Bristol School's Forum approved the allocation of the Dedicated Schools Grant as summarised below:

	£'m
Dedicated Schools Grant Settlement	244.1
Funding allocated to schools through local formula	238.0
Growth Fund	3.0

Provision for Business Rates increase	0.4
Local Authority Retained Duties	2.7

17.2 The Schools Forum has agreed to allocate £1.896m for Centrally Retained Elements. This is the same value as 2016/17 and covers admissions, prudential borrowing for school projects, central licences for schools, school forum costs and a contribution to Education Services management costs. In addition, they agreed to passport funding added to the Dedicated Schools Grant by central government for Retained Duties previously allocated to the Council via an element of the Education Services Grant. This is intended to fund the core statutory duties for all schools (academy and maintained schools). It is calculated at £15 per pupil and equates to £843k in 2017/18. In addition, an element of the Early Years block and High Needs block are retained to contribute to Council capacity to provide relevant services.

18. Public Health Grant

18.1 The body of the report will incorporate a small section on Public Health as follow: the Council's public health grant for 2017/18 has been confirmed at £33.3m, a reduction of 2.5% from its 2016/17 allocation. The service had anticipated this reduction and has planned to manage within its reducing financial resources. Further reductions of 2.6% per annum have been notionally allocated for 2018/19 and 2019/20 and the service is currently undertaking a thorough financial review to ensure that delivery is brought within this reducing budget envelope, reflecting key priorities. The Government is due to consult on options for fully funding local authorities public health spending for current public health duties from their retained business rates as part of the move to 100% rates retention. The ring-fence on public health spending will be maintained in 2017/18.

19. Housing Revenue Account

19.1 On the 30th January the Mayor approved the 2017/18 Housing Revenue Account budget within the context of the 30 year business plan. HRA self-financing, whereby the Council retains all rental income but must finance all capital and revenue costs associated with its stock, has been in effect since 2012. It was intended to facilitate greater assurance for sustainable long term planning and improved asset management.

19.2 However there have been a number of changes to government policy, which have impacted on planning assumptions, including a requirement to reduce rents by 1% per annum until 2020. The impact of this change in government policy has led to a significant loss on income to the HRA. This is because the business plan, in line with assumptions incorporated within the self-financing agreement, assumed a level of annual inflationary increase.

19.3 The Council has a duty to agree a balanced HRA budget for the next financial year, as well as a sustainable long term business plan, which takes account of capital investment needs in its stock and the revenue costs of managing and maintaining it. Although the account is ring-fenced, which means there can be no cross-subsidy between the revenue cost of services provided through the General Fund and the HRA, there are many services provided to both and paid for through recharges. There are therefore implications on some services of the need to reduce HRA costs to offset the

loss of rent income and other risks. The general fund impact on 2017/18 is £1.3m, which is reflected in this report.

20. Treasury Management Strategy

20.1 The Council's Treasury Management Strategy, Minimum Revenue Provision Policy, Investment Strategy and Prudential Indicators are set out in Appendix 4 and the Mayor and cabinet is asked to approve for onward referral to Full Council.

21. Financial assurance statement

21.1 The council must set a balanced budget each year. As the council's designated finance officer, I have a legal duty to report to Full Council in February 2017 on the robustness of the council's budget and the adequacy of reserves.

21.2 The council has sought to support the city through a prolonged period of reduction in public sector spending. With the financial pressures unlikely to ease in the years ahead, we are now looking forward to 2022 to set out our approach to adapting to budget reductions and delivering our services each year within the resource allocation.

21.3 My current assessment is that the council will achieve the tough budget limits for 2017/18, and that the proposals set out will provide a firm basis for the development of the budget for future years.

21.4 Reserves, whilst lower than previous, are adequate for the risks we face, but not sufficient to avoid making permanent cuts in services. I am also assured that, subject to the approval of the spending limits per service, a timely conclusion of the further consultation for those specific items requiring it; and identified programme support, this budget can be delivered.

21.5 It is important to note that in making these decisions there will have to be full consideration of all the relevant issues such as the Council's legal duties and contractual obligations.

21.6 The Council needs to be satisfied that it can continue to meet its statutory duties and the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Strategic Directors are satisfied that this will enable them to continue to meet their core statutory duties and the needs of the most vulnerable. In some cases further consultation may be required.

21.7 If the outcome of such further considerations were to present difficulties in adhering to the agreed Council budget, officers would bring further proposals to members for consideration.

22. Risk management / assessment:

Risk Management is outlined in Paragraph 13 and Appendix 3 – Budget Risk Matrix

23. Consultation and scrutiny input:

Internal consultation:

23.1 The Initial Budget Proposals have been reviewed and challenged by the Council's Scrutiny Commissions during December and early January and their comments fed into the overall budget process. In addition, a subsequent meeting is scheduled for Overview and Scrutiny Management Board on 19th January 2017 to examine all saving propositions (including new propositions developed subsequent to the commencement of the consultation), to be taken forward into the budget process and the Capital Programme.

23.2 Appendix 10 is a collation of the questions, statements and answers raised in key Civic Meetings prior to Full Council regarding the budget proposals, brought together for ease of access and transparency. These meetings offered the opportunity for a great deal of valuable input from elected members, members of the public and representatives of groups and organisations and have formed part of the considerations of the Mayor and Cabinet in their recommendations for the Budget.

External consultation

23.3 The consultation on the council's draft Corporate Strategy and budget savings proposals was open for 12 weeks from 13th October 2016 until 5th January 2017. 1,259 individual responses were received via the survey and additional responses were received from organisations and individuals via email, suggestion boxes and at events and the final report summarising the result is attached at Appendix 8.

23.4 The saving ideas identified in the consultation were in the region of £51m and as a result of the consultation £7.2m of those savings have been withdrawn.

Brief Description	Illustrated	Illustrated	Illustrated	Illustrated	Illustrated	Total £000's
	Saving	Saving	Saving	Saving	Saving	
	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	
ICT System Rationalisation & Staffing Efficiencies	-286	-750	-1,250	-500		-2,786
Reorganise how school crossings are patrolled (Impact tapered)	-270	65				-205
Charge for advisory disabled bays and 'Keep Clear' markings	-34					-34
Removal of existing RPS free 30 minutes period in all RPS	-675					-675
Remove Companion Concessionary bus passes	-400					-400
Withdraw reimbursements to Community Transport operators for concessionary travel	-195					-195
Revise operating times for Concessionary Travel	-70					-70
Reducing funding to Key Art Providers (Impact tapered)		-310			190	-120
Reducing museum opening hours	-200					-200
Establish an Energy Infrastructure / Service company	420	-130	-840	-2,000		-2,550
Carers Support	-50		0			-50
Total Efficiencies /Consulted Upon and Not Recommended	-1,760	-1,125	-2,090	-2,500	190	-7,285

23.5 At the time of the consultation it was recognized that in total the ideas proposed would not close the budget gap and further propositions have been identified to be taken forward. Appendix 6 provides the comprehensive list of propositions for reducing costs and increasing income totaling £62.2m, of which £33.2m form part of the 2017/18

budget.

23.6 The council still needs to explore measures to deliver the remaining circa. £42m of savings which will be required in later years.

Consultation Principles for the New Proposals

23.7 The Mayor and the Cabinet are keen to listen to any new ideas and alternatives that can achieve a balanced budget and where it has been identified that further public consultation is required in relation to a new proposal or specific implementation of an existing proposition the opportunity will be provided to discuss with the city the details of exactly how the proposed savings could be made within the approved cash limits.

23.8 Principles:

- Where specific consultation is still considered necessary, Full Council will set the service cash limit but not make decisions on operation issues within the service budget
- Decision (and consultation) in respect of detailed operational proposals are a matter for Cabinet.
- Following Full Council, Cabinet will decide how best to allocate funds within the designated cash limits, when making decisions on specific proposals within Budget lines taking into consideration consultation responses and Equalities impact assessments where needed, and fully recognizing the constraints on any departure from the Council's budget/ financial plan.
- Services should ensure consultation is done at a formative stage, gives consultees enough time and information to respond properly, and that responses are taken into account.

24. Other options considered:

No other options are considered at the present time.

25. Public sector equality duties:

25.1 As part of this decision making process, the Public Sector Equality Duty Decision requires council staff and elected members to consider what will be the impact on people with protected characteristics, whether in the wider city or in our own organisation. We need to understand who will be affected, how will they be affected and where possible how to minimise unintended negative consequences by planning in mitigations from the start.

25.2 Relevance checks and Individual Equality Impact Assessments (EQIAs have been completed for those proposals contained in Appendix 6 where it is felt that proposed savings could have an adverse impact on a particular group or individuals. These are published alongside the draft budget proposals and the Cumulative Impact Assessment, based on the initial EQIAs, is detailed in Appendix 7

25.3 This report sets out the Mayors budget proposals for Full Council to set the budget. Some proposals will need further development for Cabinet to make a specific decision. The process for this is set out in the section on consultation on new proposals (Para

23.7). For these proposals a detailed relevance check and Equality Impact assessment will be undertaken if needed, to inform Cabinet when making that decision.

25.4 The cumulative impact assessment that has been prepared sets out for the Cabinet and Full Council the overall impact that they will need to take in consideration when setting the budget.

26. Environmental checklist / eco impact assessment

Not applicable.

27. Resource and legal implications:

Finance

a. Financial (revenue) implications :

Set out within the report.

b. Financial (capital) implications:

Set out within the report.

c. Legal implications:

It is the role of the Mayor to formulate a budget and the role of the Council to adopt that budget or, at this stage, object to the budget proposals giving reasons why. The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council.

The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the chief finance (s.151) officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.

Consultation has taken place in accordance with the Council's duties under section 65 of the Local Government Finance Act 1992. The responses provided are attached as appendix to this report.

It must be borne in mind that this is consultation on the budget proposals, not on the decision to take whatever decision is implied by the adoption of that budget. For example, the budget proposals may include a reduction in the budget provision for a particular service. That might imply that the service will reduce or even cease, but that is not the same as the actual decision to reduce the service or cease it, which would be taken at a later date by the Executive, in operating under that budget, and will more often than not require its own specific consultation process.

The consultation process, including the Council's consideration of the responses, is required to comply with the following overarching obligations (unless detailed statutory rules supplant these):

1. Consultation must be at a time when proposals are at a formative stage.
2. The proposer must give sufficient reasons for its proposals to allow consultees to understand them and respond to them properly.
3. Consulters must give sufficient time for responses to be made and considered.
4. Responses must be conscientiously taken into account in finalising the decision.

This is the same whether or not a public body was required to consult or chooses to do so. This is because all of those rules are aspects of an overriding requirement for 'fairness'. The process must be substantively fair and have the appearance of fairness. The setting of the budget and council tax by Members involves their consideration of choices.

When considering options, Members must bear in mind their fiduciary duty to the council taxpayers of Bristol. Members must have adequate evidence on which to base their decisions on the level of quality at which services should be provided.

Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably.

The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully.

Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided, against the costs of providing such services.

There is a particular requirement to take into consideration the Council's fiduciary duty and the public sector equality duty in coming to its decision.

The public sector equality duty is that a public authority must, in the exercise of its functions, have due regard to the need to:

- (1) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- (3) foster good relations between persons who share a relevant protected characteristic and persons who do not share it

Any decision made in the exercise of any function is potentially open to challenge if the duty has been disregarded. The duty applies both to Full Council when setting the budget and to Cabinet when considering particular decisions.

Members are also individually reminded that Section 106 of the Local Government Finance Act 1992 applies to this meeting. Members who are two months or more in arrears with their

Council Tax must declare this to the meeting and must not vote on budget recommendations, as to do otherwise can be a criminal offence.

Advice given by Shahzia Daya, Service Director Legal and Democratic Services

Date: 13 February 2017

d. Land / property implications:

A number of the propositions if approved will have direct property implications. These will be assessed on an individual basis and implications reflected within the specific Business cases and or Cabinet Reports.

Advice given by: Bob Baber - Asset Strategy Manager

Date: 13 February 2017

e. Human resources implications:

A Section 188 notice was issued in August 2016. The s188 notice provided formal notification to Trade Unions that the scale of the potential workforce reduction is estimated to be up to 1000 employees.

An initial voluntary severance opportunity was implemented through to the end of September 2016. Following responses to applications 301 employees were approved for voluntary severance. The proposals contained within this report will result in further redundancies up to the level indicated in the s188.

We are seeking to avoid compulsory redundancies wherever possible. Full consultation with Trade Unions is continuing to be undertaken throughout this period of organisation change and restructures. At every stage we will seek to reach agreement with the recognised Trade Unions on how to mitigate the need to make any further compulsory redundancies.

If, after meaningful consultation and after mitigating actions have taken place, compulsory redundancies are unavoidable, employees will be given notice of dismissal in accordance with the Council's agreed policies.

Advice given by Sandra Farquharson – Interim Head of HR

Date: 13 February 2017