

## 1. MAYOR'S BUDGET RECOMMENDATIONS TO COUNCIL

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That the Mayor's budget proposals in respect of 2018/19 be approved as set out in this report subject to any amendments agreed at this meeting:

### **To note:**

- a) The report from the Overview and Scrutiny Management Board.
- b) The budget consultation process that was followed and feedback as outlined in Section 18 and Appendix 7.
- c) That the consultation feedback and equality impact assessments have been taken into consideration and has informed the final budget proposals.
- d) The comments of the Service Director Finance (s151 Officer) on the robustness of the Budget and adequacy of reserves as set out at paragraph 16.

### **To agree:**

- e) The Bristol City Council levels of Council Tax increase of 4.99%; which includes 2% to support Adult Social Care and noting the precepts of the Police and Crime Commissioner for Avon and Somerset and the Avon Fire Authority.
- f) The Council's General Fund net revenue budget for the year 2018/19 as £355.8 million and expenditure allocations as set out in Appendix 1 and savings proposals identified in Appendix 6 (£76.4 million); subject to any budget amendments properly notified to and approved by Council in line with the Constitution.
- g) The Council's capital budget (including the HRA) for the year 2018/19 as £244.0 million (see paragraph 14) and set the capital budget for each of the Council's directorates.
- h) Agree the Council's provisional capital budget (including the HRA) for the years 2019/20 - 2022/23 totalling £691.6 million as set out in paragraph 14 and detailed in Appendix 2.
- i) The proposed total Schools budget of £341.3 million for 2018/19 as set out in paragraph 10, which will be funded by the Dedicated Schools Grant.
- j) The proposed Treasury Management Strategy for 2018/19 in Appendix 4, incorporating the Minimum Revenue Provision policy and the prudential indicators and limits.
- k) The calculations for determining the Council Tax requirement for the year 2018/19 in accordance with the Local Government Finance Act 1992.
- l) To approve the Strategy for the Flexible use of Capital Receipts as set out in Appendix 5.

### **Delegation of authority**

- m) The delegation of authority to the Service Director Finance after consultation with Deputy Mayor, Cabinet Member for Finance, Governance and Performance and the Mayor, to make any necessary technical adjustments or adjustments to the figures upon receipt of the final Local Government Finance Settlement.

## 2. LIST OF APPENDICES

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This report should be read alongside a series of appendices:

- Appendix 1 – Detailed budget summary by Directorate and Service area
- Appendix 2 – Capital Programme 2018/19 – 2022/23
- Appendix 3 – Budget Risk Matrix
- Appendix 4 – Treasury Management Strategy
- Appendix 5 – Flexible Use of Capital Receipts Strategy
- Appendix 6 – Saving Proposals
- Appendix 7 – Budget Consultation Report
- Appendix 8 – Relevance Check

## 3. EXECUTIVE SUMMARY

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3.1. The Council is required to set an annual balanced budget (Local Government Finance Act 1992) 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 core, statutory and regulatory services as well as local key priorities and objectives. This report builds on both the detailed and comprehensive work undertaken on the development of the Medium Term Financial Plan (MTFP) and the Corporate Strategy.

3.2. The Council has faced significant financial challenges due to reductions in funding along with cost pressures within services. Whilst the national context of austerity and climate of increasing demands will continue for the foreseeable future, our approach has allowed us to plan for the longer-term.

3.3. Consequently the Council has examined every area of operation to identify opportunities to increase efficiencies, generate additional income or reduce costs and is also investing through its capital programme to ensure its asset portfolio remains fit for purpose to deliver first class services and generate inclusive economic growth. These processes are on-going but with appropriate management action, financial discipline and prudence at the core of our approach to budget setting the Council can deliver a balanced budget for 2018/19 and beyond.

3.4. This will only happen as a consequence of robust medium and long term planning and in key areas requires a transformational approach. Overall the report proposes total expenditure of over £1.2 billion will be incurred during 2018/19 on both capital investments and on-going revenue services. In planning for services at this level whilst meeting these funding challenges, the Council has had to identify a total savings requirement of £76.4m. This encompasses savings due to reduced government grant and cross cutting pressures to finance the net additional impact of direct service pressures. The proposals identified are set out in Appendix 6 to this report.

### **Council Tax Implications**

3.5. During this period of continued austerity and uncertainties for the economy arising from global events, we are conscious of the impact of council tax increases on Bristol residents. At the same time residents have made it clear they value the services they receive and the environment in which they live. That provides a difficult balancing act between council tax increases; income charges; income generation; and service reductions.

3.6. Whilst council tax capping rules remain in place, for 2018/19 the referendum threshold set by central government was increased by 1% to 3% (announced in the

December provisional Local Government Settlement). Where council tax is set below the referendum threshold the council tax yield will be permanently reduced with no opportunity to make up that baseline income in future years, should the economy pick up, without the costly exercise of a referendum.

3.7. Therefore after due consideration the recommendation of this report is to maintain flexibility locally as to how pressures will be managed and future budgets balanced.

3.8. The proposal within the report is that the 2018/19 budget should be predicated on the basis of a council tax increase of 4.99%. This overall level was consulted upon and is expected by our residents. However this will change the breakdown as follows:

- 2.99% annual increase broadly in line with projected inflation (consultation 1.99%);
- 2.0% adult social care precept (up to 3% available to 2019/20) with the flexibility to utilise the additional 1% adult social care precept in 2019/20, should the pressures in social care not be resolved by permanent government funding (consultation 3.0%).

3.9. This change in methodology will mean the Council remains within the overall level of 4.99% consulted on during November and December 2017, with funds directed in line with the original plan. Should further uplifts in council tax be required in 2019/20 and in subsequent years this approach will make any future increase more manageable for our residents.

3.10. As well as the revenue budget, the Council is in the early stages of an ambitious capital programme which is set out in detail over a five year period from 2018/19 to 2022/23 at a gross budget of £658.6 million (£196.9m 2018/19, excluding the HRA) and is fully funded through the use of external funding, capital receipts and borrowing. Including the HRA, the gross programme for this five year period is £935.6 million. A number of the general fund schemes are earmarked only with business cases pending approval. Should approval not be forthcoming these funds may be redirected to ensure maximum available capital investment is targeted to works that begin to address the ambition to make Bristol a more equal, aspirational and resilient city where everyone can share in its success. Further details on the refreshed rolling capital programme are contained in Appendix 2.

3.11. Throughout the process of setting the budget the Council has been very mindful of the impact of service changes or reductions on residents and the Equalities Impact Assessments (EQIAs) are included in the savings schedule - Appendix 6. Decision makers will need to take these into account when considering this budget report. We will continue to engage with our residents and partners so that there is a shared understanding of progress over the first year of our plan, as well as the implications of delivering our proposals to 2022/23.

## 4. FINANCIAL PLANNING AND STRATEGIC OVERVIEW

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4.1. The Council has taken a long-term and strategic approach to its corporate and financial planning, linking the MTFP and Corporate Strategy to the annual budget decisions set out by way of this report.

4.2. The Council is required by law to balance its budget in this year as in all years. In order to balance the budget a range of principles were agreed as part of the MTFP process that has assisted in developing proposals that meet core, statutory, regulatory and strategic priorities, whilst ensuring we can deliver sustainable services and remain resilient. The full list of our MTFP principles are outlined in the Cabinet Report ([link](#)) and summary of key principles considered are outlined below:

- Principles by which we will spend:

- Aligning spend with corporate priorities (subject to the delivery of core responsibilities)
- Being resilient to future uncertainty
- Maintain sustainable finances as a priority
- Themes by which we will invest:
  - Invest for sustainable inclusive growth
  - Invest to improve and maintain
  - Invest to save and generate return
- Principles by which we will save:
  - Balance sheet review, capital financing, investments and borrowing
  - Fees and charges; as a minimum all locally determined charges will be increased annually in line with general inflation
  - Council tax increases - reviewed annually and only levied where necessary and justifiable.
  - Be more 'entrepreneurial' in our approach to delivery and commissioning.
  - Workforce - develop the right organisational design that enables delivery of mayoral priorities, including structure, pay and grading framework, and capacity.
  - Maximising asset utilisation - assets held must support a strategic need or offer a net financial return that supports the financial resilience of the Council.

## **Affordability**

4.3. The net budget proposals need to be sustainable within the available resources:

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

4.4. As a last resort other necessary measures will be considered to ensure a balanced budget can be delivered in each of the financial years; including divestment where non-priority outcomes are no longer cost-effective or affordable.

4.5. Our strategy for 2018/19 builds on stronger foundations. Since 2010 we have continued to deliver a wide range of essential services within the overall agreed budget despite unprecedented financial challenges in a rapidly changing and uncertain environment. These services include:

- **People Services** e.g. adult social care integrated care services; schools, family services, children centres, children social care service commissioning and improvement, special education needs and disabled children;
- **Neighbourhood Services** e.g. Public Health (substance misuse, health commissioning and sexual health services); libraries; homelessness and temporary accommodation; administration of housing benefit payments to residents and housing providers; street cleansing; waste collection; provision of parks and amenities; and licensing;  
Housing Revenue Account e.g. the provision of affordable social housing;
- **Place Services** e.g. Asset management and corporate landlord; development and strategic planning applications; maintain the highways; winter maintenance; public transport; residential parking; car parking; parking enforcement; museum and archives;

- **Enabling Resources** e.g. Policy and communications; corporate finance; audit; legal and democratic services; ICT services; procurement of goods and services and contract management.

4.6. As well as dealing with funding reductions across the whole range of services the Council has had to respond to ever growing demands, legislative and operational issues. This includes financing contractual and salary inflation, pension cost increases, capital financing and other pressures on our services. Consequently, as previously mentioned we have and will continue throughout this medium term to examine every area of operation to identify opportunities to improve services, reduce costs and/or generate additional income.

4.7. There are two significant areas of uncertainty in the Council's current operating environment and financial plans of which the impact on the Council is not clear and brings both potential risk and opportunity.

- Firstly, business rates – announcement in the provisional Local Government Finance Settlement that a review is underway of the relative needs formula which will set new baseline funding allocations for local authorities based on a more up to date assessment of their relative needs and resources. From 2020/21 the sector nationally will retain 75% of business rates. This will be through incorporating existing grants into business rate retention including the residual Revenue Support Grant, and the Public Health Grant. This is a move away from the fully localised 100% business rates previously planned, which Bristol as part of the West of England Combined Authority is piloting until 2019/20. In addition within the existing business rates system the Council must contend with the impacts of on-going issues, the decisions for which are beyond its control e.g. business rates resets, outstanding appeals and NHS Trust requests for charitable status.
- Secondly, the withdrawal from the European Union (EU) - the impact of the implementation of Article 50 will not be known for some time. The uncertainty over the outcome of the negotiations and timescales involved brings with it challenges in drawing up financial estimates and a long term strategic plan. In particular, the future economic outlook and uncertainty has the potential to impact on, amongst other things, interest rates (both for capital borrowing and investment of working cash balances), general inflation rates as well as specific issues such as labour costs in adult social care and property values or rents. All of these factors, as well as the general performance of the economy and central government's potential ability to fund future public expenditure, could be affected by Brexit and this has the potential to impact on the Council's future financial outlook – either positively or negatively.

4.8. The Council has risen to its financial challenge of 2016/17 and is now in a stronger place to be able to develop a 5 year plan, but it is clear that financial discipline and prudence must continue to be at the core of our approach to budget setting and financial management.

4.9. The refreshed Corporate Strategy 2018-2023 sets out our strategic direction. The current financial position and economic outlook outlined in the MTFP provides the policy and financial framework upon which the annual revenue and capital budgets have been set. Under section 25 of the Local Government Act 2003 the Chief Financial Officer, 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 16.

## 5. REVENUE BUDGET POSITION FOR 2017/18

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5.1. This report is concerned mainly with the budget estimates for 2018/19. However in

adopting an incremental approach to budgeting it is important to consider current performance against budget.

5.2. The latest position, as at period 08 (November 2017), is a forecast year end revenue overspend of circa £0.9 million. Pressures within social care and property have meant this near balanced position for 2018/19 has in part been delivered by use of non-recurring savings and budgets held in abeyance. This presents a risk for future years.

## 6. REVENUE BUDGET OVERVIEW 2018/19

### Context

6.1. In commencing 2018/19 budget setting the Council faced a financial gap of £14.3 million (as per the MTFS agreed by Council February 2017).

6.2. The table below provides a summary of the 2018/19 budget for approval and indicative funding and spending plans for the period to 2022/23.

17/18 £m		18/19 £m	19/20 £m	20/21 £m	21/22 £m	22/23 £m
192.2	Council Tax*	204.5	214.3	222.4	230.8	239.5
149.8	Business Rates (NNDR)	138.4	128.8	128.8	128.8	128.8
10.1	New Homes Bonus	7.6	7.2	7.3	7.4	7.6
0.3	Improved Better Care Fund	12.0	14.5	11.6	11.6	11.6
2.0	Adults Social Care Grant	0.0	0.0	0.0	0.0	0.0
10.4	Collection Fund Surplus/(Deficit)	(6.8)	0.0	0.0	0.0	0.0
<b>364.7</b>	<b>Total Funding</b>	<b>355.8</b>	<b>364.8</b>	<b>370.2</b>	<b>378.7</b>	<b>387.5</b>
345.4	Base Budget c/fwd	360.6	357.4	362.0	370.6	378.7
8.9	Pay & Inflation	12.4	11.9	12.1	12.5	12.9
(4.9)	Capital Financing	1.8	5.3	7.7	0.6	3.7
44.2	Investment in Services	12.8	4.5	1.4	2.2	2.5
(33.1)	Savings Programme	(30.2)	(17.0)	(12.6)	(7.1)	(4.8)
<b>360.6</b>	<b>Net Expenditure</b>	<b>357.4</b>	<b>362.0</b>	<b>370.6</b>	<b>378.7</b>	<b>393.0</b>
4.1	Planned contribution to/(from) Reserves	(1.6)	2.8	(0.4)	0.0	0.0
<b>364.7</b>		<b>355.8</b>	<b>364.8</b>	<b>370.2</b>	<b>378.7</b>	<b>393.0</b>
<b>0.0</b>	<b>Budget Surplus/(Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(5.4)</b>

\*Note: Modelling assumes 4.99% council tax increases in 2018/19, maximum annual increase thereafter which is subject to annual consideration.

	Base Budget 2018/19 £m	Pay & Inflation £m	Virement £m	Growth £m	Savings £m	Draft 2018/19 Budget £m
People	210.8	2.0	(0.1)	1.6	(9.9)	204.4
Resources	35.9	1.0	0.9	-	(2.7)	35.1
Neighbourhoods	67.6	1.1	(0.1)	2.4	(7.5)	63.5
Place	15.2	1.1	1.2	0.3	(6.2)	11.6
Corporate Expenditure	30.8	7.0	(1.9)	14.7	(7.8)	42.8
<b>Total</b>	<b>360.3</b>	<b>12.1</b>	<b>0.0</b>	<b>19.0</b>	<b>(34.1)</b>	<b>357.4</b>

## Changes and Key Assumptions

### Base Budget

6.3. 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 transparent.

### Inflation

6.4. This increase reflects the inflationary allowances built into financial plans. The principal assumptions are:

- 3.7% per annum for pay inflation (pay award and increments);
- Employers pension fund contributions in line with triennial pension fund valuation;
- Contract inflation based on relevant indices.

	18/19 £m	19/20 £m	20/21 £m	21/22 £m	22/23 £m
Pay Inflation	7.3	6.7	6.7	7.0	7.2
Contract Inflation	5.1	5.2	5.3	5.5	5.6
	12.4	11.9	12.1	12.5	12.9

### Service Pressures and Investments

6.5. 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 organisational development.

6.6. 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.

6.7. £12.8 million has been invested in priority service areas in 2018/19 to facilitate growth for emerging pressures/new burdens.

	18/19 £m	19/20 £m	20/21 £m	21/22 £m	22/23 £m	Total £m
<b>Demand Pressures</b>						
Adult Social Care	2.0	1.6	1.8	0.9	1.1	7.4
Waste Services	2.4	6.1	2.4	1.3	1.3	13.6
<b>Other Pressures</b>						
Education Services Grant	0.5	0.0	0.0	0.0	0.0	0.5
Discretionary Fund for Care Leavers	0.1	0.0	0.0	0.0	0.0	0.1
Docks Dredging	0.3	(0.2)	0.0	0.0	0.0	0.1
Sleep-ins Provision	0.7	0.0	0.0	0.0	0.0	0.7
Partnership Working	0.0	0.0	0.0	0.0	0.0	0.1
SEN reform grant	0.3	0.0	0.0	0.0	0.0	0.3
Childrens Social Care base pressure	1.3	0.0	0.0	0.0	0.0	1.3
Trading with Schools Base Pressure	0.3	0.0	0.0	0.0	0.0	0.3
improved Better Care	5.8	(2.9)	(2.9)	0.0	0.0	0.0
Small Grants	0.1	(0.1)	0.0	0.0	0.0	0.0
Removal of one-off investments	(0.9)	(0.2)	0.0	0.0	0.0	(1.1)
<b>Total</b>	<b>12.8</b>	<b>4.5</b>	<b>1.4</b>	<b>2.2</b>	<b>2.5</b>	<b>23.2</b>

## Savings Proposals

6.8. 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; maximising the use of our assets; and stopping doing something completely or reducing it significantly.

6.9. Over the last 7 years, significant savings have been required to meet revenue grant reductions arising from cuts in funding for local government as part of the ongoing austerity programme. Since 2010/11 over £200 million of savings have been identified, another £34.5 million of savings are proposed in the 2018/19 budget, and £41.9 million for future years. Full details of the savings recommended for approval are set out in Appendix 6 and summarised in the table below.

## Summary of Savings Proposals

	18/19 £m	19/20 £m	20/21 £m	21/22 £m	22/23 £m	Total £m
Improving our Business Efficiency	9.9	3.5	3.7	3.3	3.2	23.6
Changing how we fund and provide services	15.9	10.6	6.5	2.1	0.5	35.5
Increasing our Income	4.6	2.7	2.4	1.5	1.1	12.2
Reducing or Stopping Services	4.2	0.6	0.0	0.3	0.0	5.1
<b>Total</b>	<b>34.5</b>	<b>17.4</b>	<b>12.6</b>	<b>7.1</b>	<b>4.8</b>	<b>76.4</b>

6.10. Every service has been subject to a review and varying degrees of consultation and engagement has ensued. The outcome from this process will help determine future service delivery models. The propositions are at different stages of development and may require subsequent consultation prior to implementation and this will need to be reflected in the assessment of reserves.

6.11. As in previous years a fund has been established to provide project management, specialist support and a 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.

### Commercial Investments

6.12. The Council has a range of commercial interests and is the single shareholder for a number of wholly owned companies. 5 year business plans have been approved and when appropriate these will be refreshed and presented to Cabinet for approval and where necessary budgets will be realigned.

6.13. These businesses will be able to deliver services, whilst at the same time accessing 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 eventually benefit from the generation of profits. Following the pay-back period the profits can be used as appropriate to support the Council's revenue budget position or deliver key priorities.

6.14. Where investments are made in 2018/19, this will be subject to the performance parameters agreed by the Shareholder and reported to the Shareholder Group quarterly. To ensure the Council's 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.

## 7. FUNDING

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### Local Government Finance Settlement

7.1. The government announced the provisional Local Government Finance Settlement for 2018/19 on 19<sup>th</sup> December 2017. The Local Government Finance Settlement determines how much grant central government will give to each local authority in the forthcoming financial year.

7.2. 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.

### **Provisional Local Government Finance Settlement – Key changes**

#### **Core Spending Power**

7.3. 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 – represents the government's current approach to funding local authorities through Revenue Support Grant and retained business rates.
- ii) Council tax income – for 2018/19 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 2017/18 throughout the period to 2019/20. This also assumes that local authorities increase council tax in line with the referendum limit.
- iii) The potential additional council tax available from the adult social care levy flexibility. For 2018/19 to 2019/20, this has been estimated by assuming all eligible local authorities also continue to take up the maximum precept available to them (6%).
- iv) Improved Better Care Funding from 2017/18.
- v) The 2017/18 Adult Social Care Grant - £241 million to be distributed according to the adult social care relative needs formula, of which the Council's allocation was £2 million.
- vi) Funding for the New Homes Bonus which has now reduced from 6 to 4 years from 2018/19 and with the introduction of a 0.4% baseline growth before any funding is allocated.

7.4. From this the government has provided the following exemplification of core spending power for Bristol City Council which indicates a change in spending power of 1.0% over the Spending Review period.

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

	15/16 £m	16/17 £m	17/18 £m	18/19 £m	19/20 £m
Settlement Funding Assessment	176.3	153.7	137.1	127.8	117.6
Compensation for under-indexing the business rates multiplier	1.4	1.4	1.2	2.0	3.1
Council Tax	169.0	178.4	192.2	208.5	219.8
Improved Better Care Fund	0.0	0.0	9.1	12.0	14.5
New Homes Bonus	11.5	13.5	10.1	7.6	7.2
New Homes Bonus returned funding	0.3	0.2	0.2	0.0	0.0
Adult Social Care Support Grant	0.0	0.0	2.0	0.0	0.0
<b>Core Spending Power</b>	<b>358.5</b>	<b>347.2</b>	<b>351.9</b>	<b>357.8</b>	<b>362.1</b>
Change over the Spending Review period (£m)					3.6
Change over the Spending Review period (% change)					1.0%

## Settlement Funding Assessment/Business Rates

7.6. The Settlement Funding Assessment is the element of income funded by retained business rates and revenue support grant. This is based on the previous relative needs assessment of local authorities in 2013/14.

7.7. Bristol City Council is currently a pilot authority for 100% business rate retention. In return they will forego Revenue Support Grant (RSG) and a number of other funding streams. Under this arrangement we theoretically retain 94% of business rates collected, with 5% going to the West of England Combined Authority (WECA) and 1% to Avon Fire Authority. Each authority's tariffs and top-ups will be adjusted to ensure cost neutrality.

7.8. These pilots have been created ahead of a move to increase the overall share of business rates retained nationally by local government from 50% to 75% as announced in the provisional Local Government Finance Settlement.

7.9. 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.

7.10. There are two key benefits from the 100% business rate retention proposal. Firstly growth in business rate income above the baseline will all be retained by the authorities rather than being shared with government (50:50). 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 to ensure cost neutrality with the rolling in of the revenue support and other grants. There are also risks associated through the 100% retention e.g. business rates volatility and appeals.

## Council Tax

7.11. In calculating the income from council tax central government have assumed that authorities will take the maximum council tax rises available to them (2.99%), and have based growth in the council tax base on historic trends of 2.4%. However this includes changes in the tax base which are not expected to continue at the same rate, such as reductions in number of discounts for second homes, Council Tax Reduction Scheme and

single person occupancy.

### **Adult Social Care Funding**

7.12. In response to growing national pressures on social care services in recent years there have been several different announcements regarding funding to support financial pressures on adult social care. These include the adult social care precept, improved Better Care Fund and 2017/18 Adult Social Care Grant. There will be a green paper on the long term funding of social care in summer 2018.

#### **Social Care Precept**

7.13. The adult social care council tax precept was established in 2016-17 and enabled social care authorities such as Bristol to charge an additional 2% on top of the 2% core increase without triggering a referendum, specifically to fund adult social care services. In 2017-18 and 2018-19 local authorities were given additional flexibility to bring forward the final year of the precept and as an alternative increase council tax by up to 3% each year, provided that the total increase in the years 2017-18 to 2019-20 does not exceed 6%.

7.14. Previously Bristol City Council has taken the option of the precept, increasing council tax by an additional 2% in 2016/17 and 3% in 2017/18. Therefore there is a further 3% available over 2018/19 and 2019/20.

7.15. The recommended budget within this report assumes the Council will take up the original 2% and for the final 1% retains flexibility in 2019/20 should social care pressures continue.

#### **New Homes Bonus**

7.16. 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 2015 the government amended the scheme with savings from the revised scheme being used to finance the new Adult Social Care Support Grant.

7.17. From 2011 to 2016/17 payments were made to Councils for 6 years for each additional home, however in 2017/18 this was reduced to 5 years and further to 4 years from 2018/19 and thereafter. In addition a 0.4% baseline was introduced in 2017/18 so that authorities need to attract growth above this to receive any grant.

7.18. New Homes Bonus returns funding if the assumed targets are not achieved nationally and the full funding is not allocated through the formula. DCLG have confirmed there will be no returned funding for 2018/19.

## **8. COLLECTION FUND SURPLUS/DEFICIT**

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8.1. 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 there is now significantly greater volatility and risk in relation to collection fund income.

8.2. As previously reported to Council on 15 January 2018 overall there is an estimated deficit on the Collection Fund for the year ending 31 March 2018 of £14.013 million. This is comprised of an estimated deficit of £0.037 million for council tax and an estimated deficit of £13.976 million for Non-Domestic Rates (NDR). Bristol City Council's share of the overall estimated deficit is £6.753 million, comprised of an estimated deficit of £0.032 million for council tax and £6.721 million for NDR.

## 9. COUNCIL TAX 2018/19

9.1. The referendum threshold for increasing the council tax has been increased to 6% to take account of the flexibility regarding the Social Care Precept and extension of core council tax increase to 3%. 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

9.2. At its meeting on 15 January 2018 the Council agreed Bristol City Council's tax base for the year 2018/19 as 125,798. This represents an increase of some 1.4% on the previous year's tax base (124,083).

### Council Tax by Band

9.3. It is recommended that the following amounts be submitted for agreement by Full Council for the year 2018/19:-

- a. **£204,538,742 (2017/18 £192,162,379)** being the sum to be met from council tax in 2018/19 for services provided by the Council;
- b. Bristol City's Council's share of the council tax for the year 2018/19 for the services it provides for each category of dwelling shown as follows:-

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band G
Total Dwellings	29,660	55,113	31,978	15,264	7,941	4,363	2,686	275
2018/19 Council Tax £	1,083.96	1,264.62	1,445.27	1,625.94	1,987.26	2,348.57	2,709.90	3,251.88
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
<b>Percentage Increase</b>	<b>4.99%</b>							
Annual Increase	51.52	60.11	68.69	77.28	94.45	111.62	128.80	154.56
Monthly Increase	4.29	5.01	5.72	6.44	7.87	9.30	10.73	12.88
Weekly Increase	0.99	1.16	1.32	1.49	1.82	2.15	2.48	2.97

## 10. DEDICATED SCHOOLS GRANT

10.1. The Dedicated Schools Grant is being considered as a separate report on this agenda. Schools Forum considered the proposals on the use and distribution of the available funding at its meeting on 16th January 2018. The Dedicated Schools Grant for 2018/19, advised by the Education and Skills Funding Agency is as follows:

DSG Block	Purpose	Comparable DSG 2017/18	DSG 2018/19	Change £m
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		£m	£m	
Schools Block	For distribution through the mainstream formula for maintained schools and academies and for growing schools	£242.4m	£252.0m	+£9.6m
Central School Services Block	For Local Authority core functions, admissions and historic commitments	£2.7m	£2.8m	+£0.1m
High Needs Block	Funding for pupils with special educational needs in mainstream, special and out-borough schools, for pupils in alternative provision and local authority or commissioned services for high needs pupils.	£49.7m	£50.9m	+£1.2m
Early Years Block	Funding for distribution to Early Years settings for 2, 3 and 4 year old early years provision, with some provision for central oversight and co-ordination.	£33.5m	£35.6m	+£2.1m
<b>Total</b>		<b>£328.3m</b>	<b>£341.3m</b>	<b>+£13.0m</b>

10.2. Across the DSG 1,200 extra pupils are funded, compared to 2017/18 and there is an increase in per pupil funding of 1.5%.

10.3. This explains the £13 million increase in funding between years. The proposals being considered aim to provide mainstream schools with at least the same per pupil funding as in 2017/18 and to distribute the equivalent of 1.5% per pupil through the funding formula. Decisions on the Central Schools Services Block are for Schools Forum to make. The High Needs budget is overspending and has a cumulative overspend at Period 8 2017/18 of £6.3 million, so Schools Forum is considering transfers of funding between blocks and a programme of savings and mitigations to bring the High Needs Budget back to balance over three years. The Early Years budget will be tight for settings and for the central team. The service has been planning for some time for the introduction of a national funding formula for early years. For Bristol, this has meant a reduction in the hourly rate for 3 and 4 year olds from £6.30 in 2016/17 to £6.00 in 2017/18 to £5.70 for 2018/19. Settings will have to manage a 2.8% reduction in the base 2017/18 rate for each child, albeit that the number of children is due to rise because of the expansion of the early years offer to 30 hours (from 15 hours) for eligible families.

10.4. For 2018/19 and possibly 2019/20, the DSG is proposed to be supplemented by £4.1 million from the Council's General Fund budget to match the extra costs of the PFI affordability gap on the two multi-school PFI contracts. These financial pressures are not unique to Bristol. Officers have worked with the participating schools, the PFI contractors, Schools Forum and the Department for Education to consider how best to tackle this issue. These are schools costs and ultimately should be funded from the Dedicated Schools Grant. Although there are no guarantees, the Department for Education has indicated that it may be possible for the increase in the affordability gap deficit to be addressed in the anticipated National Funding Formula for schools from 2020/21, provided that the full costs are shown in the Dedicated Schools Grant for the next two years. If this is successful, schools would, in principle, receive an increase in dedicated resources to meet PFI

liabilities. The use of General Fund monies in the meantime helps neutralise the impact of the PFI issue on school budgets.

## 11. PUBLIC HEALTH GRANT

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11.1. The Council's public health grant for 2018/19 is £32.5 million, a reduction of 2.6% from its 2017/18 allocation. The service had anticipated this reduction and has planned to manage within its reducing financial resources. A further reduction of 2.6% has been notionally allocated for 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 2018/19.

11.2. Through working with our city partners we will embed the critical system leadership approach for improved health outcomes across the city. Improving health sits at the heart of all we are trying to achieve as a city, so we are making this fundamental commitment to drive forward the level of step change to really make a difference.

## 12. HOUSING REVENUE ACCOUNT

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12.1. In a separate report the Mayor is asked to approve the 2018/19 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.

12.2. 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.

12.3. 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.

## 13. WEST OF ENGLAND COMBINED AUTHORITY

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13.1. The Budget for the WECA will be set on 2<sup>nd</sup> February 2018 by the WECA Committee – at the time of writing the budget assumptions set out below are based upon the WECA Budget proposals and are subject to the outcome of the above meeting.

13.2. The following elements of the WECA Budget and MTFP have therefore been incorporated within the Council Budget proposal:

- Capital Grant payments in respect of Highways Maintenance and Transport Improvement funding will continue in line with the 4-year allocations provided indicatively by Department for Transport covering 2017/18 to 2020/21. The total allocation for the Council is £6.5 million including £0.7 million for the highest level of

incentive grants which is automatically provided for Mayoral Combined Authority areas.

- Appropriate commissioning payments from the WECA to the Council for delivery of transport activities to ensure continuity of service provision in line with the Inter-Authority Agreements (concessionary travel, community transport and bus information).
- Contributions to the WECA from the Council (from existing budgets) to meet the Levy for costs of associated transport functions (concessionary travel, community transport and bus information). The basis of the levy remains in line with the Council's estimated share of costs and is assumed to be set at £7.9 million for 2018/19, a reduction of £0.5 million from the 2017/18 levy. The net impact, for the year is neutral for the Council as this reflects the movement of funds between Bristol City Council and the Combined Authority in line with the devolution arrangements.
- Within the Business Rates Collection Fund to continue to provide for an appropriate share of business rates 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 (this does not impact on the Council's significant benefits from participation in the pilot).
- Grants funding received from the WECA for feasibility studies and business case development for infrastructure schemes including £2 million for the Temple Meads area planning framework, and additional funding to support transport infrastructure need to support the Hengrove (£0.8 million) and £0.5 million for the Lockleaze development areas. These are funded from the additional investment funds received by the WECA as part of the devolution arrangements and reflected accordingly with the Councils revenue and capital budget proposals. Further bids for infrastructure funding may be made in line with the WECA Strategy and Assurance Framework and may come forward for inclusion in the capital programme in line with future delivery arrangements.

13.3. The WECA is not permitted to raise a council tax to fund any of its activity and therefore no precept will be requested.

13.4. The Council will continue to work with the WECA to identify opportunities to deliver efficiencies and savings particularly relating to transport and infrastructure functions, and collaborative working to support the major regeneration opportunities with the city.

13.5. The WECA will not seek to hold significant financial reserves. The associated risks will be mitigated through a number of financial control and management measures although as WECA is not a precepting body, it is ultimately underwritten by the constituent councils.

13.6. Full details of the WECA Budget proposals will be available at [www.westofengland-ca.gov.uk](http://www.westofengland-ca.gov.uk)

## 14. CAPITAL PROGRAMME

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14.1. The Council continues to play a key role in investing in its community; 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.

14.2. The Council has an ambitious capital programme of just under £1 billion over the next five years. A significant proportion of this programme is aligned to investments that will generate long term economic growth across the city, such as transport infrastructure, redevelopment of Colston Hall, and developing the Bristol Arena and wider Temple Quarter; with a newly incorporated Housing investment in the 2017/18 budget on top of the investment through the HRA in the Council's housing stock. These will all be subject to separate Cabinet decisions.

14.3. 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 this 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 £20 million by 2022/23.

14.4. The Council's agreed MTFP incorporates the principle that there will be no increase the indicative prudential borrowing commitment in the annually approved capital programme unless substituting a current scheme or where the Council can make an evidenced return on investment.

14.5. The programme has been reviewed in terms of implementation, funding assumptions and profiling. As a result of this review the amount of funding required to be financed from prudential borrowing has reduced from £425 million to £329 million over the period of the MTFP. This has been reflected in the capital financing costs within the base budget.

14.6. Over the last 3 years there has been significant scheme slippage and current forecasts for 2017/18 are showing a likely underspend for the year of some 20-25%, including Housing Revenue Account capital expenditure. Within the General Fund revenue estimates for 2018/19 an over programming allowance of 10% has been factored into the capital financing assumptions, as well as separately highlighting those schemes that have yet to be in development of a robust business case.

14.7. Prioritisation of the programme is essential to ensure it remains within an affordable envelope and has involved broadly ranking any new pressures as essential or high priority. The outcome of that exercise is reflected in the programme that is now recommended to Council. Improved governance arrangements for the development and management of capital projects will be introduced to ensure greater assurance of delivery.

14.8. During the year ahead a renewed capital strategy will be developed, as prescribed in the new prudential code for capital finance. It will be aligned to the financing principles set out in the MTFP – ensuring that the development of all prospective schemes is based on clear evidence base, and whole-life costing with, where appropriate anticipated pay-back of the investment. The capital strategy will be developed in parallel with the asset management strategy, will outline the approach to capital investment, ensuring that it is affordable, sustainable and prudent, and aligned to the Council's corporate priorities. It will aim to support the provision of the right blend of investment in key priority areas 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.*

14.9. 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. The draft Treasury Management Strategy is set out as Appendix 4 to this report.

14.10. Table below summarises our current capital spending plans for the next five years that total £935.6 million. The detailed draft programme and its financing are set out in Appendix 2.

	18/19 £m	19/20 £m	20/21 £m	21/22 £m	22/23 £m	Total £m
People	33.2	51.5	10.3	7.5	7.5	110.0
Place	133.1	142.3	90.1	65.5	3.7	434.7
Neighbourhoods	8.6	6.4	4.6	2.7	2.7	24.9
Resources	3.5	0.0	0.0	0.0	0.0	0.0
Corporate/Pending Development of Business Case	18.6	20.0	21.2	15.7	10.0	86.2
Housing Revenue Account	47.0	63.0	56.0	55.0	56.0	277.0
<b>Total</b>	<b>244.0</b>	<b>283.2</b>	<b>182.2</b>	<b>146.3</b>	<b>79.9</b>	<b>935.6</b>
<i>Financing by:</i>						
Prudential Borrowing	112.1	118.2	57.6	27.7	13.7	329.2
Grant	68.3	77.2	15.0	10.2	10.2	180.9
Developer Contributions	10.5	0.9	0.9	0.8	-	13.1
Capital Receipts (GF)	4.2	23.8	52.7	52.7	-	133.4
Revenue/Reserves (GF)	1.9	0.1	-	-	-	2.0
Housing Revenue Account	47.0	63.0	56.0	55.0	56.0	277.0
<b>Total</b>	<b>244.0</b>	<b>283.2</b>	<b>182.2</b>	<b>146.3</b>	<b>79.9</b>	<b>935.6</b>

## 15. TREASURY MANAGEMENT STRATEGY

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15.1. The Council's Treasury Management Strategy, Minimum Revenue Provision Policy, Investment Strategy and Prudential Indicators are set out in Appendix 4.

## 16. RISK MANAGEMENT AND FINANCIAL ASSURANCE STATEMENT

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16.1. Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

16.2. In light of the challenging financial climate and budget shortfall from previous years, the Council has recognised the on-going need to identify risks and have measures in place to mitigate should they occur (risks by their nature can never be completely removed).

16.3. 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 risks.

16.4. We adopt a risk-based approach to financial planning, which aims to:

- Ensure adequate funding is provided for all known liabilities, provide sufficient resources to enable service transformation and support services through transformation.
- Ensure earmarked reserves are set at a reasonable level to cover the specific financial risks faced by the Council and reduces as the risks decrease.
- Provide temporary cover for any slippage in planned savings through the financial risk reserve.
- Ensure the general reserve is set at a reasonable level – this is our ‘last line of defence’ should unforeseen financial difficulties emerge (such as in-year funding cuts in government grants).

16.5. Our risk-based approach takes into account relevant external factors such as the economic climate, demand for services, and any potential changes to the underlying financial assumptions within the MTFP.

16.6. The 2018/19 revenue budget has been prepared on the basis of robust estimates and where it is deemed more in-depth due diligence and/or consultation is still required, adequate financial balances and reserves are available over the medium term.

16.7. As part of the strengthened governance arrangements introduced in 2017/18 for revenue the following can be noted:

- Budget performance is monitored on a monthly basis with proportionate financial challenge to ensure budget propositions are being implemented.
- Other base budget variances, risks and opportunities are identified, mitigated and reported in a timely manner to the Directorate Leadership Teams, Strategic Leadership Team, Cabinet and Overview and Scrutiny Management Board.

16.8. Further work is however required to strengthen the governance arrangements for capital in line with the processes implemented for revenue. Interim measures have been taken to reduce the programme liability and this is outlined in more depth in section 14 above.

16.9. General or unallocated reserves are held against the risk of unanticipated expenditure or reduced income arising in any particular year and earmarked reserves for specific liabilities which can be reduced as the risk decreases.

16.10. As can be seen in the table in section 17 Reserves and Balances, General reserve and Earmarked reserves are recommended to total £74.6 million, which represents 21.0% of 2018/19 net revenue expenditure.

16.11. The Council must ensure reserves and balances are retained at an appropriate level in order to provide an adequate buffer for any series of one-off pressures – or to provide sufficient time to identify on-going mitigations in a systematic way.

## **Risks**

16.12. There will always be risks inherent in the budget process. What is important is that these are identified and mitigated and managed effectively.

16.13. A practical and appropriate assessment of risk for the overall 2018-19 budget has been undertaken and many of the details used to inform this assessment are set out in the other sections of this report and are therefore not replicated here.

16.14. The Corporate Risk Register (CRR) has recently been refreshed following consultation across the organisation. This is a live document which seeks to provide assurance to senior management and Members that the Council's main risks have been identified and arrangements are in place to manage those risks within agreed tolerance.

16.15. Appendix 3 – Budget Risk Matrix contains a summary of selected key strategic risks, causes, impact, mitigating actions and provides an indicative assessment of how the risks identified in the CRR could be managed should they be realised during this medium term.

16.16. In addition an assessment covering the further areas below has been undertaken. It is important to recognise, however, this list should not be seen as exhaustive but a sample of the factors the Service Director Finance has taken into account.

Other Risks	Y/N	Response
Is performance against the current year's budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans?	Y	Management action plans presented to Budget Scrutiny containing propositions to manage, include a provision to offset against Future Council Support or request a supplementary estimate.
Has 'at risk' external funding been identified?	Y	Included in the medium term modelling and incorporated in the calculation of the budget gap
Has a reasonable estimate of demand cost pressures been made?	Y	
Have one-off cost pressures been identified?	Y	Risks, pressures and identification of mitigating opportunities.
Has a reasonable estimate of future income been made?	Y	The income aspects of the overall budget are calculated based on previous and current trends, known influences and identified risks
Are arrangements for monitoring and reporting performance against the budget and savings plans robust?	Y	Monthly budget monitoring, includes a savings tracker. Governance via DLTs, SLT, Delivery Working Group, Delivery Executive, Budget Executive, Cabinet and OSMB.
Are resources available to support the delivery of the transformation plans?	Y	£9m over the medium term of which - £5m for 2018/19
Is there a reasonable contingency available to cover the financial risks faced by the Council?	Y	Risk reserves as at 31 March 2018 - £7m.
Is there a reasonable level of reserves, which could be used to mitigate any issues arising?	Y	General Fund reserves as at 31 March 2018 - £20m
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	Y	There has been widespread and practical engagement throughout the budget development and construction process with senior colleagues, Executive Councillors and Scrutiny MTFP task and finish group.

16.17. General Fund non-earmarked reserve of £20 million and a financial risk reserve totalling £7 million estimated as at 31 March 2018, which when combined represent 7.6% of the 2018/19 net revenue budget.

16.18. Based on the results of this risk assessment, which is set out in Appendix 3 and the factors set out above, the Service Director Finance considers the planned level of reserves and balances to be adequate.

## 17. RESERVES AND BALANCES

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17.1. 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.

17.2. 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 general reserves.

17.3. 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.

### **General Reserve**

17.4. The purpose of the Council’s General Reserve will be to cover emergency events only such as unforeseen financial liabilities or natural disasters and support one-off and limited on-going revenue spending.

17.5. This reserve will be maintained at a minimum level of between 5% and 6% of the council’s net revenue budget.

17.6. The balance of the General Fund Reserve at 31 March 2018 is anticipated to be £20 million. This will be reviewed annually and maintained at this level for 2018/19.

### **Earmarked Reserves**

17.7. The purpose of the Council’s earmarked 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 periodically but as a minimum annually.

17.8. The opening balance on Earmarked Reserves at 1 April 2017 was £65 million. During 2017/18 there was a planned contribution of £11 million from Collection Fund Surplus and review of MRP overprovision from previous years. In accordance with the policy on reserves all forecasted balances at 31 March 2018 have been reviewed for their continuing need, alignment with council priorities and a risk assessment considering internal and external factors undertaken.

17.9. There is a forecast drawdown of reserves of some £23 million leaving a forecast closing balance at 31<sup>st</sup> March 2018 of £53 million.

17.10. The table below summarises the movement and shows estimated earmarked reserves at 1 April 2018 and indicative reduction based on timing of known liabilities.

	Opening Balance 01.04.17	Net Increase/ Decrease 17/18	Closing Balance 31.03.18	Net Increase/ Decrease 18/19	Closing Balance 31.03.19	Net Increase/ Decrease 2019-2023	Closing Balance 31.03.23
Capital Investment	(14.0)	(2.3)	(16.3)	2.3	(14.0)	(5.0)	(19.0)
Business Transformation	(12.0)	8.7	(3.2)	3.2	0.0	0.0	0.0
Risk Management	(6.1)	1.8	(4.3)	(0.9)	(5.2)	(2.6)	(7.9)
Statutory/Ring-Fenced	(12.0)	0.1	(12.0)	2.0	(10.0)	6.7	(3.2)
Financing	(11.8)	6.7	(5.1)	4.1	(1.0)	0.4	(0.6)
Service Specific	(9.5)	4.1	(5.4)	1.7	(3.7)	2.7	(0.9)
Legal	0.0	(0.4)	(0.4)	(0.1)	(0.5)	0.0	(0.5)
Mayors Consultation Reserve	0.0	(1.0)	(1.0)	0.5	(0.5)	0.0	(0.5)
Risk	0.0	(6.1)	(6.1)	(0.5)	(6.6)	0.0	(6.6)
<b>Total Earmarked Reserves</b>	<b>(65.4)</b>	<b>11.6</b>	<b>(53.8)</b>	<b>12.4</b>	<b>(41.4)</b>	<b>2.2</b>	<b>(39.2)</b>
General Reserve	(20.0)	0.0	(20.0)	0.0	(20.0)	0.0	(20.0)
<b>Total Revenue Reserves</b>	<b>(85.4)</b>	<b>11.6</b>	<b>(73.8)</b>	<b>12.4</b>	<b>(61.4)</b>	<b>2.2</b>	<b>(59.2)</b>

17.11. The combined total of the reserves is anticipated to be £73.8 million at the start of 2018/19, with the general balances in isolation representing 5.6% of the net budget requirement. Over the period of the MTFP a total of £29.5m of additional one-off contributions to earmarked reserves has been assumed from a reassessment of prior years' MRP overprovision within capital financing assumptions. A review of earmarked reserves has been undertaken in conjunction with key risks, as set out in paragraph 16 above, and the capital programme. Provision has been set aside for potential capital investment that will be required following the outcome of such issues as the harbour review and flood risk assessment. These are in addition to contingencies contained within the draft capital programme

17.12. The levels of General and Earmarked reserves recommended in this report for the financial year 2018/19 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.

### Capital Receipts to Fund Transformation

17.13. Local Authorities have flexibility for a limited period to use capital receipts to fund delivery of on-going savings and transforming service delivery. Between 2016/17 and 2022/23 any capital receipts received can be used to fund expenditure for delivery of savings and service transformation.

17.14. The Flexible Use of Capital Receipts Strategy is set out in Appendix 5.

## 18. CONSULTATION AND SCRUTINY INPUT:

### Internal consultation:

18.1. Development of the MTFP and budget has been reviewed and challenged by a Task and Finish Group of the Council's Overview and Scrutiny Management Board from July to December. The Overview and Scrutiny Management board will consider the final budget proposals and the Capital Programme in two meetings scheduled for 18<sup>th</sup> and 22<sup>nd</sup> January.

18.2. Comments received from Overview and Scrutiny Management Board on any individual matter arising will be incorporated in this report for Full Council.

### External consultation:

18.3. The consultation on the Council's draft Corporate Strategy 2018 - 2023 and budget was open for six weeks from 6<sup>th</sup> November 2017 until 17<sup>th</sup> December 2017. 696 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 7.

18.4. The consultation ran alongside several consultations on specific savings proposals. The outcome of all these consultations has informed decisions on the final budget recommendations in this paper. Appendix 6 provides the comprehensive list of propositions for increasing income and reducing costs totalling £76.4m million, of which £34.5 million form part of the 2018/19 budget.

18.5. Following consultation and further due diligence five proposals have been removed, as shown in the table below. Other savings have changed in their total amount and profile; these are identified within Appendix 6.

	18/19	19/20	20/21	21/22	22/23	Total
	£m	£m	£m	£m	£m	£m
Schools Crossing Patrols	0.065					<b>0.065</b>
Review Colston Hall Business Plan	0.250	0.250	0.500			<b>1.000</b>
Introducing a financial assessment for Special Guardians allowance	0.050					<b>0.050</b>
Hengrove PFI Refinancing	0.113					<b>0.113</b>
Council Tax Reduction Scheme	1.200					<b>1.200</b>

### Consultation Principles for New Proposals

18.6. The Mayor and the Cabinet are keen to listen to any ideas for generating efficiencies and increase in income. 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.

18.7. 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 recognising the constraints on any departure from the Council's budget / financial plan.
- Services should ensure consultation is undertaken on defined proposals, gives consultees enough time and information to respond properly, and that responses are taken into account. Informal engagement at a formative stage of proposals can also be beneficial.

## 19. OTHER OPTIONS CONSIDERED:

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19.1. Throughout the budget process, a large number of individual cost reduction, income and investment options are considered. These in turn impact on the level of reserves. This is a complex process with many iterations and possibilities too numerous to present as discrete options. This report presents the final overall package of detailed proposals which together seek to balance levels of investment, cost reduction and an appropriate level of income.

## 20. PUBLIC SECTOR EQUALITY DUTIES:

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20.1. 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.

20.2. Relevance checks and Individual Equalities 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).

20.3. This report sets out the Mayor's 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 18.6). For these proposals a relevance check is required and, where it is indicated as needed by the relevance check, a full Equalities Impact Assessment will be undertaken to inform Cabinet when making that decision.