

Decision pathway – Report Format

Title: 2018/19 Budget Recommendations to Full Council and associated executive decisions	
Ward(s):	ALL
Author: Denise Murray	Job title: Service Director, Finance and Section 151 Officer
Cabinet lead: Craig Cheney	Director lead: Denise Murray
Proposal origin: Other	
Decision maker: Mayor Decision forum: Cabinet	
Timescales: Required prior to the 20th February 2018 Budget Full Council	
<p>Purpose of Report: To set out the Mayor's Revenue budget (in light of the decisions made by Council in respect of the Council Tax Base in January 2018), incorporating revenue spending and savings decisions for 2018/19 and future financial years; Capital Programme 2018/19 to 2022/23; Treasury Management Strategy; and Prudential Indicators to be considered by Cabinet in making recommendations for Council to approve the budget at its meeting on 20 February 2018.</p> <p>It should be noted that, at the time of producing this budget report, the Final 2018/19 Local Government Finance Settlement has not yet been published. The proposals within this budget report have been made on the basis of the latest information regarding the likely details of the settlement. The difference between these estimates and the details in the final settlement is likely to be insignificant and will be met by reserve contributions.</p> <p>Evidence Base: In July 2017, Cabinet agreed the Medium Term Financial Plan (MTFP) which presented a challenging financial position and identified a funding gap of circa £108 million over the five year period. This report builds on both the detailed and comprehensive work undertaken on the MTFP and the more recent Corporate Strategy refresh.</p> <p>As is customary, where appropriate public consultation has been undertaken in relation to the budget proposals and feedback from the consultation process has been taken into account in making these final recommendations.</p> <p>This report proposes a budget in 2018/19 of £355.8 million and includes £76.4 million of savings to 2022/23 in response to Government funding reductions and service demand pressures.</p> <p>In the 2018/19 provisional settlement the Government announced that the council tax referendum threshold for Councils has been increased by 1% to 3% (in line with inflation) and the flexibility to Councils to apply the adult social care precept of 3% for 2018/19 (but not exceeding 6% over the original three year period up to 2019/20) remained.</p> <p>After due consideration, this report recommends a 4.99% council tax increase in the Councils band D council tax for 2018/19. This equates to an annual increase of £77.28 per band D household and excludes precepts from the Avon and Somerset Police and Crime Commissioner and the Avon Fire Authority.</p> <p>Taking these factors together a balanced budget will be set for 2018/19 and the Council should be well placed to meet its future financial challenges. The Council tracks and monitors performance monthly and any risks are reported through routine management reporting along with the progress being made against the savings targeted for the year.</p> <p>The report contains a large amount of important information and in order to make this accessible, the report is comprised of a main report and 8 appendices as follows:</p> <p>Appendix A – Budget Report for Full Council</p> <ol style="list-style-type: none"> 1. Appendix 1 – Detailed budget summary by Directorate and Service area 	

2. Appendix 2 – Capital Programme 2018/19 – 2022/23
3. Appendix 3 – Budget Risk Matrix
4. Appendix 4 – Treasury Management Strategy
5. Appendix 5 – Flexible Use of Capital Receipts Strategy
6. Appendix 6 – Savings Proposals
7. Appendix 7 – Budget Consultation report
8. Appendix 8 – Relevance Check

The information in the main report and appendices enables Cabinet to fully consider the position and make recommendations to Council in respect of the budget proposals.

Cabinet Member / Officer Recommendations:

Appendix A: Budget Recommendations to Full Council

To Note :

- The report from the Budget Scrutiny is to follow after the 18th and 22nd January Overview and Scrutiny Management Board meetings.
- The Dedicated Schools' Grant as set out in Section 10.
- The categorisation of Earmarked Reserves and provisions set out in Section 16.
- Consider the advice given by the Service Director Finance with respect to the robustness of the budget estimates and the adequacy of the Council's reserves as set out in Section 16.

To Agree to recommend to Full Council:

- An overall 4.99% increase in the Council's element of council tax for 2016/17 with 2% as a precept for Adult Social Care and a 2.99% general increase.
- The General Fund revenue budget for 2018/19, as summarised in Section 5, the detailed budget summary by Directorate and Service outlined in Appendix 1 and the proposals identified in Appendix 6 for business efficiencies, changing services, increasing income and reducing or stopping services - 2018/19 to 2022/23.
- The capital programme as set out in Appendix 2.
- The Treasury Management Strategy, including the Prudential Indicators measuring affordability, capital spending, external debt and treasury management, as set out in Appendix 4.
- That they note the results of consultation as set out in Section 18 and detailed in Appendix 7.

Delegation of authority

- To delegate authority to the Service Director Finance after consultation with the Deputy Mayor and Cabinet Member for Finance, Governance & Performance and the Mayor, to make any necessary adjustments following receipt of the final settlement information or other technical adjustments to the figures to be submitted to Full Council on 20 February 2018.

Appendix B: West of England Combined Authority

- To give consent to the Combined Authorities Borrowing Regulations, including a debt cap of £120m for the period till 2020/21 as set out in Appendix B.
- Delegate to the Service Director Finance after consultation with the Deputy Mayor and Cabinet Member for Finance, Governance & Performance and the Mayor, authority to make all related decisions and provide written authority to the Secretary of State of consent to the Combined Authorities Borrowing Regulations.

Appendix C: Removal of Neighbourhood Action Funding

- Approve the recommendations as set out in Appendix C.

Appendix D: Changes to Culture Services

- Approve the recommendations as set out in Appendix D.

Appendix E: Improved Better Care Fund

- To delegate authority to the Director – Adult Social Care to draw down funds associated with the supplementary funding for the Improved Better Care Fund for the period 2017/18 to 2019/20 to support proposed expenditure as set out in Appendix E.

Revenue Cost: £ See Full Report	Source of Revenue Funding: <i>Various</i>
Capital Cost: £ See Full Report	Source of Capital Funding: <i>Various</i>
One off cost <input type="checkbox"/> Ongoing cost <input type="checkbox"/>	Saving Proposal <input type="checkbox"/> Income generation proposal <input type="checkbox"/>

Finance narrative:

The Council's financial position has been set out in this report. Members are under a legal obligation (Local Government Finance Act 1992) to set a balanced budget and in doing so they are obliged, under normal administrative principles, to take into account the various relevant factors, particularly in respect of consultation and equalities.

Members are entitled to exercise their political judgement, paying due regard to the relevant factors rather than being absolutely determined by them.

The budget report sets out a comprehensive picture of the Council's finances over the short and medium term to assist in the decision making process in setting the 2018/19 budget and the forward look for the Council. .

Overall, expenditure in 2017/18 is expected to be largely contained within the agreed budgets, although there are significant variances within that overall result. In consequence, the general reserve is expected to be retained at £20m (5.6% of net revenue budget for 2018/19) with no need for amendment. This level of reserve is mid-range when compared to other core cities (3% - 10%) and England average 2016/17 revenue outturn is circa 8%.

In considering the budget report, the following key considerations should be highlighted in particular:

- The extent to which the service overspends in 2017/18 is recurrent and may present a risk in 2018/19, requiring further urgent savings to be agreed in-year to offset this.
- The delivery of the savings programme proposed in this report; which will require continuity in leadership, ownership and accountability.

Considerable management attention has been and is being devoted to ensure that these can be delivered, but it is important to stress that there is inherent risks in delivering such a large and complex programme.

Provisions have been made in the budget for risks and the budget proposed is realistic and affordable, albeit challenging.

The increases in council tax as set out in this report, if agreed in this and subsequent years will generate significant additional revenue over time, this could minimise the number of new decisions about funding for specific services to be proposed. If agreed, this budget would provide for affordable services in 2018/19 to 2021/22, but a further gap of c. £5.4m remains in 2022/23.

Finance: *Denise Murray, Service Director Finance, 15/01/2018*

Corporate Strategy alignment: The Corporate Strategy underpins the Council's budget.

Legal Advice: 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. Service Directors have agreed the savings plans put forward as part of this budget process.

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 7 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 take into account 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 and noting referral to EQIAs and Consultation report.

Cabinet Members should also have regard to the detailed legal advice given in respect of the key decisions that are set out in the appendices to this report.

Members are also individually reminded that Section 106 of the Local Government Finance Act 1992 applies to the Cabinet and Full Council meetings. 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.

Legal: Shahzia Daya

Implications on Workforce: The budget proposals for 2018/19 may lead to some workforce reductions but these are not anticipated to be significant. Any requirement for redundancies will be mitigated through pro-active vacancy management and new strengthened redeployment arrangements which are being put in place. Where workforce reductions or service redesign is required, service managers will consult with employees and trade unions in accordance with agreed HR policies. As an employer, the City Council is under an obligation to avoid redundancies and will use its best endeavours to avoid any job losses.

HR: Mark Williams, Head of Human Resources – 15 January 2018

City Benefits: It is a statutory requirement to set a legal budget.

Consultation Details: Details of consultation are included within Appendix A

DLT Sign-off	Denise Murray / Shahzia Daya	[15/01/2018
SLT Sign-off	Denise Murray / Shahzia Daya	15/01/2018
Cabinet Member sign-off	Councillor Craig Cheney	15/01/2018
For Key Decisions - Mayor's Office sign-off]		15/01/2018