

# Full Council

26 February 2019



<b>Report of:</b>	Denise Murray, Chief Finance Officer & S151 Officer
<b>Title:</b>	2019/20 Budget Report
<b>Ward:</b>	City Wide
<b>Member Presenting Report:</b>	The Mayor and the Deputy Mayor / Cabinet Member for Finance, Governance and Performance

## Recommendation

For Council to consider and approve the Mayor's 2019/20 Budget recommendations which include the various elements of the Revenue budget, Capital programme, Bristol City Council's Council Tax for 2019/20 and Adult Social Care Precept.





To note under the delegated authority to Director, Finance, the following changes have been made to the budget since approved by Cabinet on 22<sup>nd</sup> January 2019.

### **Empty Properties Council Tax Premium**

On 5 February 2019 Cabinet approved recommended changes to the Council Tax due on long term empty properties under an APR16 report to ensure it was approved prior to commencement of the new financial year. As the Council Tax base has been set for 2019/20 the additional income received will go into the collection fund in 2019/20 and impact the general fund from 2020/21 onwards.

### **SEN Capital Grant**

An additional allocation of £1.2m capital grant for special educational needs was announced by Government, this has been incorporated into the capital programme and the treasury management strategy updated accordingly.

### **Brexit Grant**

A £210k grant over two years (2018/19-2019/20) was announced by MHCLG to support local authorities prepare for Brexit of which £105k for 2019/20 is included within the detailed budget assumptions.

### **Dedicated Schools Grant**

Further distribution of funding to schools following ESFA clarification as outlined in paragraph 10.2.

### **West of England Combined Authority**

Information regarding the WECA Budget 2019/20 as per paragraph 13



## 1. MAYOR'S BUDGET RECOMMENDATIONS TO COUNCIL

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That the Mayor's budget proposals in respect of 2019/20 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 6.
- 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 Chief Finance Officer (s151 Officer) on the robustness of the Budget and adequacy of reserves as set out at paragraph 16.
- e) The HRA budget for 2019/20 as approved by Cabinet on 22 January 2019.

### **To agree:**

- f) The Bristol City Council levels of council tax increase of 3.99%; which includes 1% to support Adult Social Care and noting the precepts of the Police and Crime Commissioner for Avon and Somerset and the Avon Fire Authority.
- g) The calculations for determining the council tax requirement for the year 2019/20 in accordance with the Local Government Finance Act 1992.
- h) An increase in the existing premium from 50% to the relevant maximum permitted by legislation on 1 April 2019 (100%) and to the introduction of premiums, at the relevant maximum percentage permitted by legislation, on 1 April 2020 (200%) for dwelling empty for less than 10 years, but at least 5 years and 1 April 2021 (300%) for dwelling empty for 10 years or more.
- i) The Council's General Fund net revenue budget for the year 2019/20 as £376.3 million and expenditure allocations as set out in Appendix 1; subject to any budget amendments properly notified to and approved by the Council in line with the Constitution.
- j) Agree the Council's capital budget (including the HRA) for the years 2019/20 - 2023/24, totalling £856.8 million as set out in paragraph 14 and detailed in Appendix 2.
- k) The proposed total Schools budget of £356.9 million for 2019/20 as set out in paragraph 10, which will be funded by the Dedicated Schools Grant.
- l) The proposed Treasury Management Strategy for 2019/20 in Appendix 4, incorporating the Minimum Revenue Provision policy and the prudential indicators and limits.
- m) To approve the Strategy for the Flexible use of Capital Receipts as set out in Appendix 5.

To give consent:

- n) For the West of England Combined Authority Mayor to submit an application to the Housing Infrastructure Fund to facilitate housing growth as set out in paragraph 13 following consultation with the following: Mayor, Deputy Mayor and Cabinet Member for Finance, Governance & Performance, Executive Director, Growth & Regeneration and Chief Finance Officer.

## 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 Division
- Appendix 2 – Capital Programme 2019/20 – 2023/24
- Appendix 3 – Budget Risk Matrix
- Appendix 4 – Treasury Management Strategy
- Appendix 5 – Flexible Use of Capital Receipts Strategy
- Appendix 6 – Budget Consultation Report
- Appendix 7 – Equalities Impact Relevance Check
- Appendix 8 – Statutory Calculations in respect of Council Tax
- Appendix 9 – Report of Overview and Scrutiny Management Board

### 3. EXECUTIVE SUMMARY

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3.1. Over the past decade the Council, like many other public sector bodies, has been on a difficult journey. 2019/20 is the ninth year of austerity and cuts in funding and the final year of the agreed 4 year settlement. We know that from 2020 onwards, we are on our own and almost all our funding from central government will have gone - meaning the city's services will be almost entirely dependent on council tax, business rates and income we can raise from other sources. By this time, responsibility for funding key services will have effectively shifted from central government to local tax payers.

3.2. We have been successful in managing our finances and by taking a medium-term rather than a short-term approach, we can invest in the areas that really matter. In these tough times, we have sought to protect the most vulnerable in our city from the worst effects of funding cuts and to invest in our city, in order to build confidence in the future.

3.3. In meeting our legal responsibility to set an annual balanced budget (Local Government Finance Act 1992) which sets out how our financial resources are to be allocated and utilised, we have sought to do this in a controlled manner:

- Ensuring available resources are allocated to our strategic priorities which include our core, statutory and regulatory requirements;
- Maintaining sustainable and resilient finances and ensuring value for money; and
- Managing significant financial risks.

3.4. We must however not be complacent as this continues to be challenging time of significant change. The Council is ambitious about what it wants for the future of the city and how it is going to make it happen.

3.5. The approved revenue budget for 2019/20 totals £376.2m, a net increase of £12.8m from 2018/19. This is made up of £30.2m of investment in services offset by £17.4m previously approved package of savings. There is no requirement for any new savings to achieve a balanced budget for 2019/20.

3.6. The Council is in the early stages of an ambitious capital programme which is set out in detail over a five year period from 2019/20 to 2023/24 at a gross budget of £856.8 million and is fully funded through the use of external funding, capital receipts and borrowing.

### 4. COUNCIL STRATEGY

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4.1. Creating a vision for Bristol: One City Plan, launched in January 2019 and sets out an ambitious vision and actions for the future of Bristol to 2050. It is a collaborative approach to reach a shared vision for Bristol and aims to use the collective power of Bristol's key

organisations to make a bigger impact, by supporting partners, organisations and citizens to help solve key challenges, such as driving economic growth for everyone.

4.2. The Corporate Strategy 2018 – 2023 remains the Council's main strategic document and sets out our contribution to the city as part of the One City Plan. It outlines our vision and values and informs everything we do, how we plan for the future and how we will demonstrate progress in delivering those priorities.

4.3. In achieving this vision we have based our activities around four themes:

- Empowering and Caring
- Fair and Inclusive
- Well Connected
- Wellbeing

4.4. Our key commitments aligned to each theme are outlined in the Corporate Strategy and the full document can be accessed via the hyperlink below.

<https://www.bristol.gov.uk/policies-plans-strategies/corporate-strategy>

## 5. FINANCIAL PLANNING AND STRATEGIC OVERVIEW

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5.1. The Policy and Budget Framework provides the structure and process for budget decision making. The Medium Term Financial Plan (MTFP) is a key financial planning document and covers a rolling five year period. It is a living document which provides a reference point for executive decision making, and ensures that the Council is able to optimise the balance between financial resources and delivery of the priorities, as set out in the Corporate Strategy. It sets out principles of:

- How we spend
- How we invest
- How we save and make efficiencies

5.2. The full list of our MTFP principles is outlined in the Full Council report ([link](#)). The MTFP has modelled the potential funding position up to 2023/24 based on a series of assumptions leaving a small budget gap. The funding position beyond 2020 is very uncertain; not least as the current spending review only covers the period up to 2019/20. The budget planning that has followed models a 3 year balanced position 2019/20 to 2022/23. Due to the uncertainty ahead, no attempt has been made at this stage in the process to seek to balance the final 2 years of the rolling 5 year programme and there is no requirement for any new savings to achieve a balanced budget.

5.3. The budget has been prepared giving full consideration to these strategic documents, ensuring that each year's budget is considered within the context of the Council's ongoing sustainability over the entirety of the planning period. This has been done using best estimates from available data and based on the provisional Local Government Finance Settlement for 2019/20 announced by government on 13<sup>th</sup> December 2018.

5.4. We have sought to ensure that we are financially resilient and able to free up resources in order to respond to changing need, demand and priorities. We have made improvements to the way we work and to the services we provide, tackling the issues we face today and we are developing plans and solutions for the future. Throughout the process of setting the budget, the Council has been very mindful of the impact of changes or reductions on residents and the Equalities Impact Assessments (EQIAs) are included in this and other associated reports. Decision makers will need to take these into account when considering this and other budget related reports.

## 6. REVENUE BUDGET POSITION FOR 2018/19

6.1. This report is concerned mainly with the budget estimates for 2019/20, however the starting point for calculating these budgets is based on the latest 2018/19 budgets. In adopting this approach to budgeting, it is important to consider current performance against budget.

6.2. The current forecast of the year end revenue position, based on actual expenditure at the end of October 2018 and forecasts made in December 2018 is an underspend of £0.044m. (0.1% of the budget), a movement of £0.7m since the last report published in December 2018 and £4.4m underspend for HRA (3.6%), £1.2m underspend for DSG (0.3%) and £0.9m overspend in Public Health grant (2.8%),

6.3. Pressures within Adult Social Care and Education have been addressed via an in-year supplementary estimate, containing a combination of base and one off funds. This has meant that this near balanced position for 2018/19 has in part been delivered by use of non-recurring savings and budgets held in abeyance and presents a risk for future years which will need to be addressed in the 2019/20 budget setting process.

Approved Budget £m		Revised Budget £m	Forecast Outturn £m	Variance £m
207.8	Adult, Children and Education	232.6	232.1	(0.5)
59.5	Growth and Regeneration	58.8	58.4	(0.4)
47.9	Resources	50.2	50.7	0.5
<b>315.3</b>	<b>Sub-total</b>	<b>341.6</b>	<b>341.2</b>	<b>0.4</b>
40.9	Corporate Expenditure	21.9	21.9	0.0
<b>356.2</b>	<b>Total</b>	<b>363.6</b>	<b>363.2</b>	<b>(0.4)</b>

6.4. Due to various decisions and slippage in capital projects, the approved budget of £244.0m for 2018/19 is set to decrease to a forecast spend of £162.6m (66%). Budgets in the capital programme were re-profiled during the year to reflect the updated spend profile.

Approved Budget £m		Revised Budget £m	Movement £m
33.2	Adult, Children and Education	27.5	5.7
134.7	Growth and Regeneration	82.6	52.1
10.9	Resources	8.0	2.9
<b>178.8</b>	<b>Sub-total</b>	<b>118.1</b>	<b>60.7</b>
18.6	Corporate Expenditure	5.3	13.3
47.0	HRA	39.2	7.8
<b>244.4</b>	<b>Total</b>	<b>162.6</b>	<b>81.8</b>

6.5. Further details of the forecast year end position can be found in the Period 7 Financial Monitoring Report 2018/19 presented to Cabinet 22 January 2019.

## 7. GENERAL FUND REVENUE BUDGET 2019/20

7.1. The approved revenue budget for 2019/20 totals £376.2m, a net increase of £12.8m from 2018/19. This is made up of £30.2m of investment in services offset by £17.4m of previously agreed savings and efficiencies. These investments are detailed further below and historically agreed savings with those applicable to 2019/20 budget are outlined in the directorate budget analysis.

7.2. The table below provides a summary of the 2019/20 budget for approval and indicative funding and spending plans for the period to 2023/24.

18/19 £m		19/20 £m	20/21 £m	21/22 £m	22/23 £m	23/24 £m
232.4	Adult, Children and Education	226.4	223.6	227.2	232.9	238.0
58.7	Growth and Regeneration	63.5	65.4	68.1	71.3	73.2
50.7	Resources	51.2	51.9	53.0	54.7	56.7
21.6	Corporate Expenditure	35.3	31.9	33.0	36.7	39.2
<b>363.4</b>	<b>Total Funding</b>	<b>376.3</b>	<b>372.8</b>	<b>381.3</b>	<b>395.6</b>	<b>407.1</b>
204.5	council tax*	214.7	222.8	231.2	239.9	248.9
144.1	Business Rates (NNDR)	134.2	129.3	129.3	129.3	129.3
0.0	Business Rates Levy rebate	1.5	0.0	0.0	0.0	0.0
7.6	New Homes Bonus	6.9	7.1	7.2	7.4	7.5
12.0	Improved Better Care Fund	14.5	11.6	11.6	11.6	11.6
2.0	Adult Social Care Grant	3.5	2.0	2.0	2.0	2.0
(6.8)	Collection Fund Surplus/(Deficit)	0.9	0.0	0.0	0.0	0.0
<b>363.4</b>	<b>Total Funding</b>	<b>376.3</b>	<b>372.8</b>	<b>381.3</b>	<b>390.2</b>	<b>399.3</b>
<b>0.0</b>	<b>Budget Surplus/(Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(5.4)</b>	<b>(7.8)</b>

7.3. The base budgets are by far the most significant element of the Council's budget and are monitored monthly and reported to the Corporate Leadership Board, the 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.

7.4. The following specific changes and key assumptions have been made in the development of the 2019-20 General Fund revenue budget.

- A cash reduction in Revenue Support Grant of £12.3m (i.e. 41% of 2018/19 figure of £29.6m).
- Additional one-off funding for adult / children's social care announced in the Autumn Budget on 29 October 2018 – this will be utilised in line with any grant conditions with the aim of supporting transformation in these services.
- Increase of £7.9m in the amount of business rates income receivable, due mainly to a 2.0% inflationary increase in the multiplier set by the government. Section 31

grant will continue to be received by us due to government decisions to limit inflationary increases in the business rates multiplier in previous years.

- Pay award of up to 2.7% for 2019/20 agreed with trade unions and estimated pay awards in future years.
- Centrally held general inflationary provision for supplies and services budgets, essential utilities such as gas, electricity and water, external insurance premiums and business rates payable by us.
- General inflationary increase for fees and charges budgets.
- Where applicable specific grant income budgets will be adjusted in line with government announcements – related expenditure will either be reduced to bring it into line with the reduced level of funding or identified as an unfunded cost pressure (where this is not possible).
- Specific inflationary increases in Private Finance Initiative (PFI) unitary charges based on contractual terms and conditions. Specific inflationary increases as set out in other (non-PFI) long-term contracts.
- Service specific cost pressures arising from the National and Foundation Living Wage and increasing demand.
- Unallocated general reserve will be retained at between 5%- 6% of the net revenue budget.
- Earmarked reserves are set at a reasonable level to cover the specific financial risks and liabilities faced by the Council and as a minimum are reviewed annually.
- The reserves held are invested and the interest received supports the Council's budget and where practical reduces the borrowing requirement.

7.5. The table below summarises the assumed budget changes and cost pressures:

18/19 £m	19/20 £m	20/21 £m	21/22 £m	22/23 £m	23/24 £m
12.4 Pay & Inflation	8.0	8.1	8.5	8.8	9.3
1.8 Capital Financing	1.3	6.9	1.0	3.7	2.3
7.4 Base budget adjustments	14.7	1.3	2.2	2.5	0.0
(29.9) Historic Agreed Savings	(13.9)	(8.7)	(3.1)	(0.7)	0.0
0.0 Removal of savings	2.8	0.0	0.0	0.0	0.0
<b>(8.3) Recurring Funding Pressures</b>	<b>12.9</b>	<b>7.6</b>	<b>8.6</b>	<b>14.3</b>	<b>11.6</b>

7.6. It is important that the Council continues to plan ahead and it is clear that the growth of our local tax base is providing real additional resource that will assist with managing increases in service demand and further reductions in government funding.

7.7. Whilst council tax capping rules remain in place, for 2019/20 the referendum threshold set by central government was maintained at 4% for Bristol, which includes 1% relating to the Adult Social Care precept. 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.

7.8. During this period of continued austerity and uncertainties for the economy arising from Brexit and 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 and some of those that are able to have indicated that they are willing to pay a little more. That provides a difficult balancing act between council tax increases; income charges; income generation; and service reductions.

7.9. Given the growth in demand for our services and the absence of any new permanent funding being made available by government for our services, the Council is required to take action to ensure the sustainability of Adult Social Care and a social care precept of 1% is proposed for 2019/20. The proposal within the report is that for 2019/20 the budget should be predicated on the basis of a proposed increase of 3.99% (£10.2m) in the amount of council tax income receivable, split between:

- Growth in the size of the council tax base (i.e. £1.95m)
- Original MTFP Planning increase of 1.99% (i.e. £4.11m)
- Government-assumed additional increase of 1.0% (i.e. £2.07m)
- Government-recommended specific increase in relation to Adult Social Care of 1.0% (i.e. £2.07m).

7.10. The Council has continued to provide a local council tax reduction scheme that supports working age people on a similar basis to those who previously received 100% council tax benefit prior to this being abolished in 2013; and is one of a handful of English councils to do so. Pensioners are protected from any changes under the prescribed national scheme. The overall scheme is estimated to cost in the region of £39.3m in 2019/20.

7.11. Previous savings proposals totalling £2.753m have been reduced or reversed in 2019/20, facilitated by the additional increase of 1% in council tax.

	Original Saving* £m	Removed £m	Residual Saving £m
RS04 – Redesign of library service	1.400	1.400	0
FP02 – New ways of running parks and open spaces	1.905	0.244	1.611
FP05 – Reduced Education Services Grant	1.320	1.109	0.211
<b>Total</b>	<b>4.625</b>	<b>2.753</b>	<b>1.822</b>

*\*As outlined in savings agreed by Full Council February 2018*

7.12. 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 legislative changes such as new functions/standards, non-negotiable contractual changes and organisational development.

7.13. 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 for an improvement programme which seeks to improve outcomes and deliver a sustainable long term strategy.

## **Adult, Children and Education**

## Adults

7.14. Adult Social Care has a current (2018/19) net budget of £149.7m, the single biggest area of expenditure of the Council and prior to the approval of an in year supplementary estimate, forecasted pressures of £11.1m. We support adults who have a disability, are vulnerable or live with an age-related disorder, as well as commissioning services aimed at addressing social care and health inequalities, promoting health and wellbeing. We work in partnership with our service users and carers, health, housing and the third sector, to maximise people's potential for independence, meeting assessed need within a legal framework most notably as set out in the Care Act 2014.

7.15. The strategic direction and a range of work streams are outlined in the Better Lives Programme and the overall performance of adult services continues to improve particularly in the key policy areas of reducing reliance on residential and nursing care, home care and ensuring timely hospital discharge. However, there is a need for further investment into the areas outlined in the paragraph above, to meet commissioning needs of adults age 18-64, the National Living Wage and to help enable the transition to an approach based on a higher level of early intervention and prevention.

	19/20 £m	20/21 £m	21/22 £m	22/23 £m	23/24 £m
Adult Social Care Demand	0.954	0.771	0.856	1.150	-
National Living Wage	0.700	1.000	-	-	-
Re-profile of Better Lives programme	6.295	(3.928)	-	-	-
Preparing for Adulthood demand	2.973	-	-	-	-
<b>Total Expenditure Increases</b>	<b>10.922</b>	<b>(2.157)</b>	<b>0.856</b>	<b>1.150</b>	<b>0.000</b>
Winter pressures grant	(2.028)	2.028	-	-	-
19/20 Social Care Grant	(3.465)	1.465	-	-	-
Social Care precept	(2.065)	-	-	-	-
<b>Total income changes</b>	<b>(7.558)</b>	<b>3.493</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

7.16. The 1% Adult Social Care precept (£2m) and one off grants (£5m) totalling £7 million and will only part-fund the significant cost pressures we face in relation to Adult Social Care.

## Children's Social Care

7.17. During 2018/19, the Children's Social Care service has been maintaining a balanced budget in this first year of the Strengthening Families Programme (to improve outcomes for children and young people). The underlying position however, reveals budget pressures of £0.6m in the social care placements part of the budget, offset by underspends elsewhere in the service. The 2<sup>nd</sup> year of the Strengthening Families Programme (2019/20) will see further investment in the service (£0.5m) and further savings to be delivered (£1.6m). In the context of existing pressures on placement costs, the delivery of the planned savings will be more challenging. Numbers of looked after children are now around 620 (66 per 10,000 population, which compares well with statistical neighbours and Core Cities). As at 31st March 2018, the comparator position was as per the table below.

Looked After Children snapshot		Bristol City Council	Statistical Neighbours	Core Cities	England
All children looked after at 31 March	Number	644	534	1,012	75,420
Rate of children looked after at 31 March per 10,000 children aged under 18 years	Rate	69	80	86	64

7.18. The service is experiencing pressures in foster care and other allowances and a provision is contained within the inflation assumptions. The service is also considering the arrangements for recruiting and retaining qualified social workers to maintain a highly trained and directly employed workforce.

### Education

7.19. The Education service is within budget for 2018/19, with the inclusion of a supplementary estimate in Period 6. The budget proposals for 2019/20 recognise the difficulties in managing the reduction in the Education Services Grant, which was due to be £0.8m saving in 2018/19 and a further £0.8m in 2019/20. This net £1.1m shortfall in the budget plans for the Education service has been removed from the budget for 2019/20 as a result of the additional increase in council tax. The service is still under review and consultants have been engaged for a short exercise, to assess capacity for delivering statutory responsibilities in the future.

7.20. Pressures remain within the Home-School Transport budget. Further work has been commissioned to obtain improved management information to facilitate the assessment of future demand and operation of the home-school transport function and will report back as part of the budget monitoring process in 2019/20.

### Growth and Regeneration

7.21. The directorate has a number of key priorities which this budget is designed to support. They are as follows:

- Sustainable and inclusive economic growth
- Delivering housing and regeneration
- Preventing homelessness
- Ensuring that air quality standards are met across the city

7.22. In addition to the above, waste management investment is required which is predominantly attributed to a change in accounting treatment for the annual growth in waste horizons. This was previously funded from one off earmarked reserves following the establishment of the Bristol Waste Company. This growth is attributed to increasing demand resulting from increasing population, number of dwellings and the amount of waste that needs to be collected and disposed of across the city.

7.23. The capital programme contains some significant schemes in the pipeline attributed to Growth and Regeneration functional areas and these are outlined in more detail in section 14 – Capital Programme.

	19/20 £m	20/21 £m	21/22 £m	22/23 £m	23/24 £m
<b>Base budget adjustments</b>					
Waste growth	2.208	1.200	0	0	0
End of one-off waste funding	3.000	0	0	0	0

## Resources

7.24. The Directorate contains the Council's key professional support services which aid the strategic direction of the Council and provide essential advice to Members and managers to improve outcomes and deliver change. The Directorate, beyond its core, statutory and regulatory duties, also serves some of the most vulnerable in the city.

7.25. Some service pressures have been identified 2019/20, the largest of which is anticipated shortfall in land charges income £0.345 million. These are mitigated by efficiencies flowing from improvements in systems and processes, recurrent underspending areas of the budget, as outlined in 2018/19 monitoring report and with a change in election periods, no further contribution is required to the election reserve until 2021. These changes accumulate to a net £0.300m in earlier delivery of previously agreed savings.

	19/20 £m
<b>Pressures</b>	
Data Protection	(0.122)
Shortfall in land charges income	(0.345)
Replacement of ICT systems	0.420
Remove contribution to Elections reserve	0.177
Acceleration of BE1 efficiency savings	0.170
<b>Total</b>	<b>0.300</b>

## Corporate Expenditure Accounts

7.26. Central accounts hold a variety of corporate budgets which do not relate directly to individual services, as well as council-wide budgets which largely for timing reasons are not allocated to individual services. Generally, these council-wide budgets will be allocated to services in year, once their impact is known. Corporate budgets include the Council's capital financing costs. In addition, in accordance with accounting requirements, central accounts include those costs which are defined as the Corporate and Democratic Core and Levies.

	£m
Capital Financing	15.555
Corporate and Democratic Core and Levies	4.632
Planned contributions to reserves (risk)	2.800
Service Budget held pending transfer <i>e.g. Contract Inflation</i>	12.265
	<b>35.252</b>

7.27. Recent work has identified several areas of cross Council activity which require additional funding to support the corporate aims of the Council. These include work within equalities, company shareholder governance, City Office and civil protection. Funding of £0.7m has been included to deliver the minimum requirements needed to fulfil these services.

	£m
Civil Protection Unit	0.125
Equalities	0.142
City Office	0.095
Companies Governance	0.350
	0.712

### Savings

7.28. Inevitably, managing the scale of reduction in government funding and increasing cost pressures of which the Council has been exposed has meant that the Council has had to make some difficult decisions around the level of services. Since 2010/11 savings in the region of £276m have been identified to ensure that priority services can be delivered. This includes £76.4m approved by Full Council at its meeting on 20 February 2018 of which £17m was assumed for 2019/20.

7.29. The propositions were at different stages of development; some may have or may still be subject to consultation/engagement. A strong governance framework is in place in relation to monitoring and reporting the delivery of agreed savings and this will continue into 2019/20 and form part of the assessment of reserves.

7.30. There is no requirement for any new savings to achieve a balanced budget for 2019/20 due to the previously approved package of savings identified by the Council as part of the 2018 budget. See appendix 6 of the report. <https://www.bristol.gov.uk/savingsproposals>

	19/20 £m	20/21 £m	21/22 £m	22/23 £m	23/24 £m
<b>Savings as agreed by Full Council</b>	17.374	12.612	7.100	4.774	-
Crosscutting savings offset against inflationary pressures	(3.900)	(3.960)	(4.000)	(4.050)	-
<b>Total</b>	<b>13.474</b>	<b>8.652</b>	<b>3.100</b>	<b>0.724</b>	-
<b>Savings Removed</b>	<b>(2.753)</b>	-	-	-	-

### One-off Investments

7.31. There is £7.0m one-off funding predominantly attributed to additional Section 31 business rate and business rates levy rebate. It is proposed that these are earmarked for:

- City Funds to support transformational change in Bristol through business and community funders and the public sector coming together to share resource and raise finances to help address key priorities in Bristol.

- Development of City Leap, which is a series of energy and infrastructure investment opportunities that the Council would be publishing over the coming months and years.

### **Long Term Investments / Shareholdings**

7.32. The Council has a range of long term investments and shareholdings some of which are wholly owned or to which it has a material interest. In addition a business plan has been approved in 2018/19 for the establishment of a new housing company and approval to develop the option appraisal for City Leap (smart energy systems). Many of the companies ideas are still in start-up / growth phase, which dependent on the nature of the business can have material start-up cost as the company grows to scale.

7.33. As at 31 December 2018, the Council had invested £26.9m in share capital and loans to wholly owned Council subsidiaries.

7.34. These are complex businesses and when entering into long term investments such as these it is important to assess the market conditions and acknowledge that the industry is ever-changing and as such will always be subject to external influences, volatility and risks.

7.35. As a public sector body we should only intervene when there is a failure or gap in the market and when intervention will lead to an improvement or greater efficiency. Where taxpayers' money or assets are involved in delivering the ambition, the Council must also ensure that Value for Money (VfM) is secured. A VfM assessment extends beyond consideration of a financial case but also need to take into account the economic case and social value.

7.36. Business plans are being refreshed and/or developed for submission to Cabinet for consideration. The plans will need to be agile to reflect changing market conditions and the operating model required to be sustainable. These businesses will be able to deliver services whilst at the same time accessing a wider market, in order to generate income from additional customers 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.

7.37. Where investments are made in 2019/20, this will be subject to the agreed business plan. They will be subject to due diligence and the public sector rationale will form part of this assessment. There must be a strong clarity of purpose with regards to what the project is intended to achieve. An informed judgement on affordability must be made and the level of risk needs to be fully assessed and acknowledged in the reports.

7.38. Governance, monitoring and quality performance parameters are to be agreed by the Shareholder and regularly reported to the Shareholder Group / Cabinet. 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.

## **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 11 December 2018, overall there is an estimated surplus on the Collection Fund for the year ending 31 March 2019 of £0.892m.

## 9. COUNCIL TAX 2019/20

9.1. The referendum threshold for increasing the council tax has been increased to 4% 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.

9.2. The Local Government Finance Act 1992 was recently amended to allow councils to increase the long-term empty dwelling premium over the next three financial years. Long term empty property is defined as being unoccupied and substantially unfurnished for at least 2 years

9.3. This allows an increase in the existing premium of 50% as follows

- from 1 April 2019 to 100% for properties empty longer than 2 years;
- from 1 April 2020 to 200% for dwelling empty for less than 10 years, but at least 5 years; and
- from 1 April 2021 to 300% for dwelling empty for 10 years or more.

### Calculation of the Council's Tax Base

9.4. At its meeting on 11 December 2018 the Council agreed Bristol City Council's tax base for the year 2019/20 as 126,999. This represents an increase of some 0.95% on the previous year's tax base (125,798).

### Council tax by Band

9.5. It is recommended that the following amounts be submitted for agreement by Full Council for the year 2019/20:-

- a. **£214,729,909 (2018/19 £204,538,742)** being the sum to be met from council tax in 2019/20 for services provided by the Council
- b. Bristol City Council's share of the council tax for the year 2019/20 for the services it provides for each category of dwelling shown as follows:-

	<b>Band A</b> £	<b>Band B</b> £	<b>Band C</b> £	<b>Band D</b> £	<b>Band E</b> £	<b>Band F</b> £	<b>Band G</b> £	<b>Band H</b> £
2019/20 £	1,127.22	1,315.08	1,502.95	1,690.82	2,066.56	2,442.30	2,818.04	3,381.65
2018/19 £	1,083.96	1,264.62	1,445.27	1,625.94	1,987.26	2,348.57	2,709.90	3,251.88
<b>Increase</b>	<b>3.99%</b>	<b>3.99%</b>	<b>3.99%</b>	<b>3.99%</b>	<b>3.99%</b>	<b>3.99%</b>	<b>3.99%</b>	<b>3.99%</b>

## 10. DEDICATED SCHOOLS GRANT

10.1. Schools Forum considered the proposals on the use and distribution of the available funding at its meeting on 16th January 2019. The Dedicated Schools Grant for 2019/20, advised by the Education and Skills Funding Agency is as follows:

<b>DSG Block</b>	<b>Purpose</b>	<b>Comparable</b>	<b>DSG</b>	<b>Change</b>
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		<b>DSG 2018/19 £m</b>	<b>2019/20 £m</b>	<b>£m</b>
Schools Block	For distribution through the mainstream formula for maintained schools and academies and for growing schools	252.023	261.445	9.422
Central School Services Block	For Local Authority core functions, admissions and historic commitments	2.828	2.895	0.067
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.	51.023	53.214	2.191
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.	36.600	36.433	-0.167
<b>Total</b>		<b>342.474</b>	<b>353.987</b>	<b>11.513</b>

10.2. In December 2018, the final allocations of DSG from the Education and Skills Funding Agency (ESFA) took account of 1,010 more pupils in October 2018, compared to October 2017. This produces £5.2m more than the indicative Schools Block allocation advised in July 2018, but this funding will substantially be needed to fund schools for those extra pupils. This is partly offset by a £1.3m reduction in the Growth Fund allocation, compared to the indicative budget, but the Department for Education (DfE) had provided some details of this and that loss had been anticipated.

10.3. Since Schools Forum considered the budget in January 2019, two corrections were made to the mainstream schools formula submission to the ESFA for 2019/20 which were attributed to minimum funding guarantee protections. These have been revised and result in £1.5m headroom for distribution as opposed to the £0.6m (£0.9m additional) previously included in the Schools Forum and Cabinet papers. The Schools Forum / Cabinet report illustrations suggested that 32 schools would receive more than a standstill budget for 2019/20 however the final submission to the ESFA will now have 54 schools in this improved position. The overall funding in the Schools Block is unaffected.

10.4. The DfE announced additional funding for High Needs beyond that advised in July 2018: £1m more for 2018/19, helping reduce the historic deficit in High Needs, plus another £1m for 2019/20, helping fund more of the pressures identified in the High Needs budget for that year.

<b>High Needs Forecast</b>	<b>Adjusted Forecast P7 2018/19</b>	<b>Changes for 2019-20</b>	<b>Initial assessed commitments for 2019/20</b>	<b>Comment</b>
<b>Total Expenditure</b>	<b>54.346</b>	<b>3.841</b>	<b>58.187</b>	



Brought forward	-2.055	1.108	(0.947)	
DSG Funding (gross)	55.454	326	55.780	2019/20 Includes £53.214m DSG, £2.566m transfers agreed by Schools Forum
<b>Total funding</b>	<b>53.399</b>	<b>1.434</b>	<b>54.833</b>	
<b>Overspend (cumulative)</b>	<b>0.947</b>	<b>2.407</b>	<b>3.354</b>	<b>£3.3m shortfall by March 2020</b>

10.5. In order to fund the High Needs Budget in the short-term, the recommendation is to plan to use High Needs DSG from 2020/21 in advance to cover the in-year shortfall. This is permissible under the DSG regulations, but it does not address the underlying shortfall in the High Needs DSG.

10.6. The High Needs budget is expected to operate under current policies and current rates of funding for schools. Expected changes in demand have been factored in. This will prevail until the High Needs Transformation programme recommends any changes. This would suggest that the forecast spend of £58.2m on High Needs is the best estimate of the budget required to meet our needs for 2019/20. A £3.3m cumulative deficit is the expected position at March 2020, with or without the use of future DSG.

10.7. The strategy for addressing the High Needs deficit is three-fold:

- Officers and Members continue to lobby central government on the budget pressures in the high needs budget. The additional £1m provided to Bristol through higher High Needs DSG in each of 2018/19 and 2019/20 is an indication that central government are listening to the calls for more funding. A possible, part-solution to assist further would be a re-basing of the high needs budget to reflect local spending levels (as happened during 2016/17).
- A high needs transformation programme has begun, with four constituent projects: top-up funding; alternative provision; hospital education; and support services. These are focussed on how best to improve outcomes for children and young people, but may result in lower spend over time, if investment is made in activities most likely to promote such outcomes.
- Officers will continue to look for all opportunities to transfer funding from different blocks or funds to support the High Needs budget.

DSG Block	DSG 2019/20 £m	Transfers between blocks 2019/20 £m	Allocations from underspend or future years DSG £m	Proposed Schools Budget 2019/20 £m
Schools Block	261.445	(2.000)	0.000	259.445
Central School Services Block	2.895	(0.566)	0.000	2.329
High Needs Block	53.214	2.566	2.407	58.187
Early Years Block	36.433	0.000	0.517	36.950
<b>Total</b>	<b>353.987</b>	<b>0.000</b>	<b>2.924</b>	<b>356.911</b>

Estimated brought forward DSG surplus from 2018/19 (0.397)

	2019/20 DSG	(353.987)
	Carry-forward DEFICIT at end of 2019/20	(2.527)
	<b>Total</b>	<b>(356.911)</b>

10.8. The proposals to ensure a balanced DSG in the short term is to transfer £2.566m from the schools block growth fund and central schools services block to the High Needs Block, to use £2.5m from 2020/21 in advance and £0.4m forecast carry forward surplus to provide a balanced position for 2019/20.

## 11. PUBLIC HEALTH GRANT

11.1. The Public Health service is funded from a ring-fenced grant provided by the Department of Health and Social Care. This grant is being reduced year on year. The allocation for 2018/19 was £32.486 million and the projected allocation for 2019/20 is expected to be £31.628 million (representing a reduction of £0.858m). Funding must be used in line with the conditions of the grant. This follows annual reductions since the grant was passed to local authorities in 2015/16.

	16/17	17/18	18/19	19/20
	£m	£m	£m	£m
Public Health Grant	34.186	33.343	32.486	31.628
Reduction in funding	2.828	0.843	0.857	0.858
%age	7.6%	2.5%	2.6%	2.6%

11.2. The totality of the resources available to promote the health and wellbeing of the population is much greater than this ring fenced Public Health grant. The combined resources of the Council and our partners, e.g. Clinical Commissioning Group, the hospital trusts, local schools, police, etc. can all be used more thoughtfully to maximise health gain for the city's population.

11.3. The key public health challenges facing the city in 19/20 are:

- Health inequalities, within the city and between the city and the region/England;
- Morbidity and mortality from the main diseases affecting the population such as mental health
- The need to modify behavioural risk factors such as smoking and drugs
- Addressing wider determinants of health, such as employment and housing

11.4. In response to these challenges the service has set out its key priorities for 2019/20 as follows:

- Implement new Public Health service model and commissioning intentions
- Thrive (mental health) Programme
- Suicide prevention work
- Adapting the new Local Health Resilience Partnership mass response plan template for communicable diseases and ensuring pathways are robust in Bristol
- Review Business Continuity plans in light of the new Public Health Service model
- Support to Adverse Childhood Experiences programme
- Support to City Office and development of One City Approach
- Explore how to maximise Public Health delivery using a settings approach (Healthy Schools, Health at Work)

- Alcohol harm reduction
- Addressing obesogenic environment
- Develop the 'Health in all policies' work
- To develop Sport England Strategic Vision Model for Bristol

## 12. HOUSING REVENUE ACCOUNT

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12.1. In a separate report presented to Cabinet in January the Mayor approved the 2019/20 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 is 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 rent by 1% per annum until 2020. The impact of this change in government policy has led to a significant loss of 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 (WECA)

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13.1. The West of England Combined Authority (WECA) was established in 2017 with three constituent councils in the West of England – Bath and North East Somerset, Bristol and South Gloucestershire and a West of England Mayor. WECA has raised the profile of our region with central government and in addition to the £30m per year from our devolution deal, WECA has secured the following investment:

- £103m for transport
- £5m to trial superfast 5G networks
- £4m for the Future Bright skills programme
- £3m to progress housing development and attract additional funding
- £5.7m to improve roads
- £2.8m for a new Energy Hub and Low Carbon Fund
- £1.35m to support the region's creative sector
- £2m to run the Combined Authority

13.2. This additional investment is helping us to deliver against the ambition to drive clean and inclusive growth across the West of England, and to take positive action to address regional challenges.

13.3. We need joined-up and reliable transport, to reduce congestion and help people move around the region. This includes suburban rail services, road schemes and improved public transport, as well as better connections for motorbikes, cyclists and pedestrians. This infrastructure will support the delivery of new homes, as set out in the Joint Spatial Plan (JSP) and will also support inclusive growth by improving access to jobs, linking new homes and communities with employment areas.

13.4. WECA is working closely with government towards a housing deal, which would provide money to build new homes, particularly affordable homes, and put in place the additional infrastructure needed to help people get around.

13.5. WECA along with Bath and North East Somerset and Bristol is developing a bid to the Government's Housing Infrastructure Fund, (HIF), which could amount to further investment into the region of circa £250m to facilitate much needed housing growth. Good progress is being made on this bid and the first stage of application is expected to be March 2019. The Council will be required to give consent to the WECA Mayors submission of this bid and note that the outcome from the March 2019 application stage will not be known for some time and any proposal would be subject to the Council's usual governance approval process.

13.6. Additional investment into skills is already making a difference to residents across the region. For example, the Future Bright project is helping people who are in work and on benefits to improve their job prospects, and the new West of England Careers Hub is improving career opportunities for young people. WECA moves closer to the devolution of the £17.6m Adult Education Budget. This will help address core skills required for a productive workforce, enabling us to direct resources in a way that best meet the needs of all learners and our economy.

13.7. The 2019/20 Budget for the WECA was set on 15 February 2019 by the WECA Committee. The budget report outlines the funding and sets out the allocation of those funding streams for each constituent authority for Infrastructure, Transport and Skills and the budget assumptions below reflect the position outlined in the WECA Budget proposals.

13.8. The funding for the Mayor and Combined Authority comes from 5 main sources:

- A 5% share of business rates under the 100% Business Rates Retention Pilot.
- Investment funding from the Government as part of the Devolution Deal.
- A levy on the constituent councils for the costs of transport functions that transferred to WECA.
- Government funding for various capacity and projects, including the Adult Education Budget; Housing Capacity Fund; Mayoral Capacity fund; Future Bright.
- Interest on balances.

13.9. The following elements of the WECA Budget and medium term financial plan are attributed to the Council and have therefore been incorporated within the Council's 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 DfT covering 2017/18 to 2020/21. The total allocation for the Council is £6.527m which includes £0.652m for the highest level of incentive grants which is automatically provided for Mayoral Combined Authority areas.
- Commissioning payments of £1.472m 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 real time information).
- Contributions from the Council to meet the WECA Levy for costs of associated transport functions (concessionary travel, community transport and bus information). The basis of the Levy remains in line with the Councils estimated share of costs and

is set at £7.912m. The net impact is neutral for the Council reflecting the movement of funds in line with the devolution arrangements.

- Within the Business Rates Collection Fund the Council continues to provide for a 5% share of business rates (£11.5m) to be allocated to the WECA in accordance with the 100% Business Rate Retention pilot. The fund meets the costs of Highways Maintenance and Transport Improvement Grants (this does not impact on the Council's benefits from participation in the pilot).
- 2018/20 grant funding received from the WECA for feasibility studies and business case development for infrastructure schemes including £2m for the Temple Meads area planning framework, and additional funding to support transport infrastructure needed for Hengrove £0.8m, £0.5m for Lockleaze, £0.3m for Mass Transit feasibility studies, and £0.15m for Southern Orbital feasibility studies. 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.
- WECA approved the establishment and overarching principles of £50m Land Acquisition Fund at WECA Committee on 30th November 2018. This provides a facility to commence the delivery of our ambitious growth targets. An application will be submitted to the fund (details of which are being finalised) for the Hawkfield Business Park site acquisition/development in order to enhance the economic case in South Bristol and facilitate the release of part of the former Bottle Yard site for further housing development in due course.
- The Council's annual contribution towards the running of the LEP/WoE office is £0.110m. This represents a reduction of £0.040m against prior year's contribution, reflecting the efficiencies that have been achieved through integrating these arrangements with WECA including the accountable body role for the significant WoE Growth and City Deal funds.

13.10. It is not expected that any additional costs will fall on the Council for 2019/20 and the Council will continue to work with the WECA to identify opportunities to deliver efficiencies through economies of scale, optimising the use of existing resources and delivering value for money.

13.11. The WECA is not permitted to raise a Council Tax to fund any of its activity and therefore no precept will be requested.

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

## 14. CAPITAL PROGRAMME

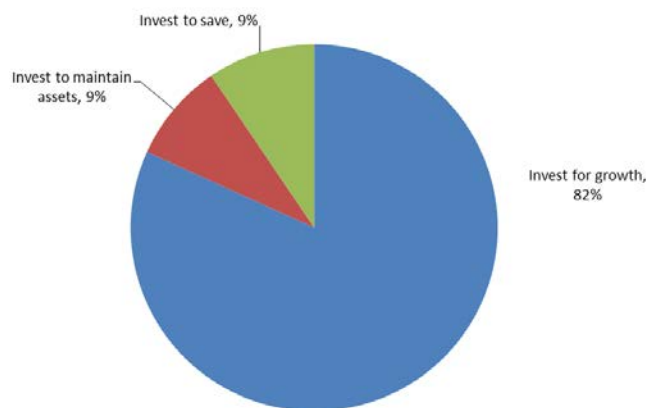
14.1. The Council continues to play a key role in investing in the infrastructure of the city and its communities; providing facilities for local people to use as well as business premises that provide jobs and opportunities. Our longer term capital programme aspirations are significant, however we recognise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

14.2. In December, the Council approved a new capital strategy which is 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 reviewed annually and

particularly in line with the development of an asset management strategy, which will outline the approach to capital investment, ensuring that it is affordable, sustainable and prudent as well as aligned to the Council's corporate priorities. It will 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 for inclusive economic growth;*
- *invest to save by reducing costs that would be borne by the revenue account or generating external income.*

14.3. The Council has an ambitious capital programme over the next five years. A significant proportion (82%) of this programme is aligned to large infrastructure investments that will support long term regeneration across the city, such as programme of new housing building and developing the Temple Quarter area, with only 9% aligned to invest to save and invest to maintain propositions respectively.



14.4. The programme also outlines areas which will support improvements in on-going Council support such as investing in infrastructure to support delivery of Social Care and Education services.

14.5. The capital programme is set out in detail over a five year period from 2019/20 to 2023/24 at a gross budget of £856.8m and is fully funded through the use of external funding, capital receipts and borrowing. 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.

14.6. The programme set out will increase capital financing charges by an estimated £20.0m by 2023/24. The Council's agreed MTFP incorporates the principle that there will be no further increase to the indicative prudential borrowing commitment in the capital programme unless substituting a current scheme or where the Council can make an evidenced return on investment. 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 to £206.2m over the period of the MTFP. This has been reflected in the capital financing costs within the base budget.

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

the Council. Improved governance arrangements for the development and management of capital projects will be introduced in 2019/20 to ensure greater assurance of delivery.

14.8. 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.

14.9. The table below summarises our current capital spending plans for the next five years that total £856 million. The detailed draft programme and its financing are set out in Appendix 2.

	19/20 £m	20/21 £m	21/22 £m	22/23 £m	23/24 £m	Total £m
Adults, Children & Education	24.8	25.9	4.1	0.0	0.0	54.8
Growth & Regeneration	126.8	91.3	52.6	27.0	36.8	334.5
Resources	17.0	8.5	6.2	5.0	5.0	41.8
Corporate	10.7	8.9	9.0	9.0	10.0	47.7
Pending Schemes	5.1	12.3	22.8	29.1	24.8	94.0
Housing Revenue Account	51.8	59.0	72.7	53.2	47.3	284.1
<b>Total</b>	<b>236.4</b>	<b>205.9</b>	<b>167.4</b>	<b>123.3</b>	<b>123.9</b>	<b>856.8</b>
<i>Financed by:</i>						
Prudential Borrowing	(81.2)	(57.2)	(37.1)	(17.0)	(13.6)	(206.2)
Grant	(58.1)	(57.2)	(23.0)	(28.5)	(20.6)	(187.5)
Developer Contributions	(6.7)	(5.8)	(5.8)	(5.5)	(6.9)	(30.6)
Capital Receipts (GF)	(33.2)	(18.0)	(23.5)	(14.5)	(17.5)	(106.7)
Revenue/Reserves (GF)	(0.6)	(0.1)	(0.1)	(0.1)	(0.0)	(0.9)
Economic Development Fund	(4.7)	(8.5)	(5.3)	(4.4)	(18.0)	(41.0)
Housing Revenue Account	(51.8)	(59.0)	(72.7)	(53.2)	(47.3)	(284.1)
<b>Total</b>	<b>(236.4)</b>	<b>(205.9)</b>	<b>(167.4)</b>	<b>(123.3)</b>	<b>(123.9)</b>	<b>(856.8)</b>

## 15. TREASURY MANAGEMENT STRATEGY

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

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 considering the robustness of any estimates, the following criteria need to be considered:

- 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?
- Are arrangements for monitoring and reporting performance against the savings plans robust?
  - The reasonableness of the underlying budget assumptions.
  - The alignment of resources with the Council's service and organisational priorities.
  - A review of the major risks associated with the budget.
  - The availability of un-earmarked reserves to meet unforeseen cost pressures.
  - Have realistic income targets been set and 'at risk' external funding been identified?
  - Has a reasonable estimate of cost pressures been made?
  - Are arrangements for monitoring and reporting performance against the budget robust?
  - Is there a reasonable contingency available to cover the financial risks faced by the Council?
  - Is there a reasonable level of reserves which could be used to mitigate any issues arising and are they reducing as the risks decrease?
  - The strength of the financial management function and reporting arrangements.
  - Has there been quality of engagement with colleagues and councillors in the process to develop and construct the budget?

16.3. Responses to the above are outlined in section 16.11 below.

16.4. This section of the report advises of any significant risks identified in the budget process and sets out the range of measures and provisions put in place to mitigate these risks. There will always be risks inherent in the budget process. It is important that these are identified, mitigated and managed effectively.

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

16.5. The collection of council tax and the generation of business rate yields are two key risks which need to be closely monitored.

- Council tax collection rates and level of arrears will be subject to regular reviews.
- Provisions for the impact of business rates appeals have been reviewed for sufficiency and activity in this regard will be proactively monitored.
- Business rates income continues to be a significant risk, however as in the case of council tax, any losses greater than those assumed in setting the budget will materialise through a collection fund and will not impact in the current year.

16.6. Parent Company Guarantees in place that underwrite Companies trading activity present significant risks. As the value grows, mitigating actions are being considered which de-risk the activity and an assessment of the sufficiency of the Council's un-earmarked reserves has been undertaken to mitigate this risk should the need arise. Please see section 16.8.



16.7. The Council's financial controls are set out in the Council's financial regulations and scheme of delegations. The Council has a well-established framework for financial reporting at Executive Director Meetings, Corporate Leadership Board, Statutory Policy Board (Member representation), Scrutiny Commissions and Cabinet with a separate dashboard for each directorate. Where unavoidable pressures are identified that cannot be mitigated, collective ownership is taken and where appropriate, funds are held in abeyance, subject to mitigations or a supplementary estimate being agreed to minimise significant variations to net approved budgets.

16.8. 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. Based on the results of the risk assessments undertaken, an adequate level of reserves is as follows:

- General Fund un-earmarked reserve of £20.0m and a financial risk resilience reserve totalling £4.0m as at 1 April 2019, which when combined represent 6.4% of the 2019/20 net revenue budget.
- Other earmarked reserves totalling £67.8m as at 1 April 2019 (excluding, HRA and school balances), which in an emergency can be utilised on a short-term temporary basis, provided the funding is replaced in the following year.

16.9. In the context of the above, the Chief Finance Officer considers the proposed budget for 2019/20 as robust and that the level of reserves are adequate, given a clear understanding by members and senior management of the following:

- Directors and other budget holders should accept their budget responsibilities and subsequent accountability.
- The level of reserves is in line with the risk based reserves matrix but their enhancement will be a prime consideration for the use of any fortuitous in-year saving.
- Risk based budget monitoring and scrutiny arrangements are in place and include arrangements for the identification of remedial action.
- Budget risks are identified and recorded at the earliest opportunity and will be subject to focused control and management.
- To facilitate the realising of operational earmarked reserves, directorates are required to have in place a clear plan for the drawdown in line with the annual profile.
- Effective governance arrangements should be in place at a service and corporate level, to monitor the overall delivery of the 2019-20 budget plus regular monitoring reports to Cabinet.
- There is a clear understanding of the statutory duties of the Council's Chief Finance Officer and that the service implications of them being exercised are fully understood.

16.10. Other risks and opportunities

- Local government funding – during 2019/20, there will be a comprehensive spending review of all government spending; setting out the spending plans for the medium term. This will have a significant impact on the amount of funding local authorities can expect over the medium term. Alongside this review of department spending limits,

there is a review of the funding formula which subsequently distributes this funding to individual local authorities. This will incorporate consideration how varying needs and resources of authorities will be taken into account.

- Part of the mechanism by which the government now funds local authorities is through retained business rates. This is also under review with a proposal that from 2020/21 there will be a 75% retention of business rates. No clarity has been provided as to whether a differential approach will be adopted for combined authorities that currently operate a 100% pilot scheme.
- Brexit - The country faces an unclear future as the government negotiates Britain's exit from the EU. There are countless unknown variables with the prospect of economic uncertainty a reality for the coming years. This uncertainty adds to the cocktail of fiscal austerity as well as longer term demographic challenges. Further tax and benefit changes mean the full effect of austerity is still having a huge impact on residents in the city.

16.11. Assessment of robustness of estimates are outlined in the table below

Criteria	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	Period 7 budget monitoring indicates a break even position after taking account of unavoidable pressures in Adult Social Care via a supplementary estimate. Ongoing pressures are reflected in the 2019/20 budget plans for the service.
Are arrangements for monitoring and reporting performance against the savings plans robust?	Y	Monthly Budget Monitoring, including savings tracker. Governance via EDM, CLB, Delivery Executive, Cabinet and commissioning scrutiny.
The reasonableness of the underlying budget assumptions	Y	Assumptions have a source or clear methodology upon which the estimate has been based.
The alignment of resources with the Council's service and organisational priorities	Y	Integrated budget and service planning exercise is undertaken for 2019/20 budget with alignment to the corporate strategy and MTFP.
A review of the major risks associated with the budget	Y	Corporate and other risk have been reviewed and their likelihood and impact assessed.
The availability of un-earmarked reserves to meet unforeseen cost pressures	Y	Unallocated general reserve in line with policy 5-6% net revenue budget; however should this be exceeded as a short term emergency measure longer term earmarked reserve could be utilised.
Have realistic income targets been set and 'at risk' external funding been identified?	Y	The income aspects of the overall budget are calculated based on previous and current trends, known influences and identified risks and external funding changes are built into the medium term financial 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 and pressures are identified, provisions made where evidence and or mitigating opportunities explored.

Are arrangements for monitoring and reporting performance against the budget and savings plans robust?	Y / N	Arrangements for revenue are robust. The governance and monitoring of the delivery of the schemes in the capital programme require improvement and an action plan is being developed.
Is there a reasonable contingency available to cover the financial risks faced by the council?	Y	Risk reserves as at 31 March 2019 - £4.0m and contingency for non-delivery across the life of the MTFP - £1.7m
Is there a reasonable level of reserves, which could be used to mitigate any issues arising and are they reducing as the risks decrease?	Y	The adequacy of the level of reserves is fully assessed and set annually, and it is reviewed periodically throughout the course of the year to check appropriate direction or release where no longer required.
The strength of the financial management function and reporting arrangements?	Y	A risk based approach is taken to the alignment of staff to projects and programmes in order to optimise the skills available and an appropriate monthly reporting framework is in place.
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 and Budget Task and Finish Group.

## 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 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. Additionally, 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. It will be maintained at a minimum level of between 5% and 6% of the council’s net revenue budget.

17.5. The balance of the General Fund Reserve at 31 March 2019 is anticipated to be £20.0m. This will be reviewed annually and maintained at this level for 2019/20.

### Earmarked Reserves

17.6. 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.

17.7. The opening balance on earmarked reserves on 1 April 2018 was £87.0m. During 2018/19 there was a planned contribution of £7.5m from clawback of MRP overprovision from previous years. In accordance with the policy on reserves, all forecasted balances at 31 March 2019 have been reviewed for their continuing need, alignment with council priorities and a risk assessment considering internal and external factors has been undertaken.

17.8. There is a forecast net drawdown of reserves of some £26.0m leaving a forecast closing balance at 31 March 2019 of £61.0m.

17.9. The table below summarises the movement and shows estimated earmarked reserves at 1 April 2019 and indicative reduction based on timing of known liabilities.

	Opening Balance 01.04.18	Net Increase/ Decrease 18/19	Closing Balance 31.03.19	Net Increase/ Decrease 19/20	Closing Balance 31.03.19	Net Increase/ Decrease 2020-2025	Closing Balance 31.03.24
Capital Investment	(16.795)	(0.195)	(16.990)	5.715	(11.275)	0.200	(11.075)
Business Transformation	(5.684)	4.701	(0.983)	0.600	(0.383)	(3.693)	(4.076)
Risk Management	(13.439)	2.855	(10.584)	4.215	(6.369)	3.641	(2.728)
Statutory/Ring-Fenced	(14.642)	1.670	(12.971)	2.000	(10.971)	7.935	(3.036)
Financing	(13.600)	7.059	(6.541)	2.172	(4.368)	3.013	(1.355)
Service Specific	(15.460)	4.027	(11.434)	5.330	(6.104)	5.941	(0.163)
Legal	(0.750)	0.000	(0.750)	0.000	(0.750)	0.000	(0.750)
Consultation Reserve	(1.000)	0.500	(0.500)	0.000	(0.500)	0.000	(0.500)
Risk	(6.050)	5.510	(0.540)	(4.000)	(4.540)	0.000	(4.540)
<b>Total Earmarked Reserves</b>	<b>(87.420)</b>	<b>26.127</b>	<b>(61.293)</b>	<b>16.032</b>	<b>(45.262)</b>	<b>17.038</b>	<b>(28.224)</b>
<i>%age movement in earmarked reverses</i>			<i>-30%</i>		<i>-26%</i>		<i>-38%</i>
<b>General Reserve</b>	<b>(20.000)</b>	<b>(1.571)</b>	<b>(21.571)</b>	<b>1.571</b>	<b>(20.000)</b>	<b>0.000</b>	<b>(20.000)</b>
<i>%age of net revenue budget</i>			<i>5.7%</i>		<i>5.4%</i>		<i>5.1%</i>

#### Reserve type and description

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Capital Investment Reserves	The capital reserve is maintained to provide funding for the Council's capital / commercial investments and growth in Enterprise areas.
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Business	Invest to save funds and feasibility funds for transformation programmes
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## Transformation

### Reserves

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Specific Risk Management Reserves	Risk Reserves Funds set aside to mitigate known risks not otherwise provided for including, contribute to costs of Waste contract, volatility in Housing Benefit Subsidy and uninsured risks.
Statutory/Ring-Fenced Reserves	Amounts required by statute or accounting code of practice to be set aside and ring-fenced for specific purposes, e.g. Public Health Reserve, City Deal Business Rate Pooling . Stoke Park Dowry.
Financing Reserves	Technical Financial Reserves - Includes PFI sinking fund, grant income carried forward in accordance with accounting regulations, including troubled families grant and resources set aside to match known contract liabilities,
Service Specific Reserves	Amounts set aside to finance specific projects or to meet known expenditure plans, including: <ul style="list-style-type: none"><li>- Bristol Futures - to provide new technology to improve public services</li><li>- Development Fund primarily to fund Docks Asset Survey existing and proposed regeneration schemes</li><li>- Election reserve for local elections</li></ul>
Legal Reserve	Funds set aside to commission advice and mitigate risks of potential litigation/claims.
Mayors Consultation Reserve	Funds set aside to mitigate risks of delays to delivery of savings as a result of consultation outcomes
General Risk Reserve	Funds set aside to mitigate risks aligning to risk register not specifically quantified

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17.10. The combined total of the reserves is anticipated to be £73.8m at the start of 2018/19, with the general balances in isolation representing 5.7% of the net budget requirement. Over the period of the MTFP, a total of £22.0m 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 for areas such as energy infrastructure, harbour review and flood risk assessment.

17.11. During 2019/20 there is a planned contribution to reserves of £8.8m. This will be allocated to the areas as outlined below:

- i. £4.0m is required to reinstate a risk reserve for the residual term of the MTFP.
- ii. The risk assessment indicates further reserves are required to meet the risk relating to the harbour and £3.8m has been earmarked in 2019/20 for this specific risk.
- iii. To deliver on-going revenue savings to the Council, we have a programme of work around the commercialisation of some of our services. In order to deliver income and savings, this will require some start-up funding and £1.0m is proposed to be put aside for any investments required. Any proposals to drawdown from this reserve will be subject to a rigorous business case.

	<b>19/20</b>
	<b>£m</b>
Risk Reserves	4.0
Harbour Risk	3.8
Commercialisation Investments	1.0
	<b>8.8</b>
<i>Financed by:</i>	
Minimum Revenue Provision	6.0
Budgeted contribution	2.8
Total	8.8

17.12. The levels of General and Earmarked reserves recommended in this report for the financial year 2019/20 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**

17.13. Receipts from capital assets such as land or buildings are normally only permitted to be spend on other capital expenditure, however local authorities have flexibility for a limited period, to also use capital receipts to fund delivery of on-going savings and transform 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:**

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### **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 September to December. The Resources Scrutiny commission considered the final budget proposals and the Capital Programme in meetings scheduled for 10<sup>th</sup> and 14<sup>th</sup> January.

18.2. Comments received from Overview and Scrutiny Management Board on any individual matter arising are incorporated as Appendix to this report.

### **External consultation:**

18.3. The consultation on the Council's 2019/20 budget was open for six weeks from 5

November 2018 until 17 December 2018. Individual responses were received via the survey and additional responses were received from organisations and individuals via email, suggestion boxes and at events. The final report summarising the result is attached at Appendix 6.

18.4. Following review of consultation feedback from this year's budget consultation and previous consultations, council tax increases of 3.99% have been recommended and three savings proposals have been removed or reduced, as shown in paragraph 7.11. These changes reduce the adverse impact that may have affected education support to schools and parks and library services.

### **Consultation Principles**

18.5. The Mayor and the Cabinet are keen to listen to any ideas for generating efficiencies and increasing 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.

18.6. Principles:

- Where specific consultation is still considered necessary, Full Council will set the service cash limit but will 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 it will take into consideration consultation responses and Equalities Impact Assessments where needed, fully recognising the constraints on any departure from the Council's budget / financial plan.
- Services should ensure consultation is undertaken on defined proposals where required, giving 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. 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. 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 principles (Para 18.5). 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.

## 21. RESOURCE AND LEGAL IMPLICATONS

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### a. Finance Implications:

The Council's financial position has been set out in this report. Council is 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 2019/20 budget and the forward look for the Council.

Overall, expenditure in 2018/19 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 with no need for amendment.

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

- The extent to which the service overspends in 2018/19 is recurrent and may present a risk in 2019/20, requiring further budget provision of efficiencies to be agreed in-year.
- Effective governance arrangements to monitor and report the overall delivery of the 2019/20 budget.

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 additional revenue over time, which will facilitate the sustainable delivery of key services. If agreed, this budget would provide for affordable services in 2019/20 to 2021/22, with a further gap to be considered in the future following the receipt of the outcome of the Spending Review and other changes in Local Government Finance.

**Advice given by: Michael Pilcher, Finance Business Partner 15 February 2019**

### b. Legal implications:

Approval of a balanced budget each year is a statutory responsibility of Full Council (Local Government Finance Act 1972).

Full Council 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 (Local Government Act 2003).

When considering the Budget proposed by the Mayor, 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 and must satisfy themselves that sufficient mechanisms are in



place to ensure both that any savings are delivered and that new expenditure is contained within the available resources.

Public consultation has taken place in relation to the level of Council tax to be set in 2019/20. In doing so the Council has satisfied its statutory duty to consult with non-domestic rate payers (S65 Local Government Finance Act 1992).

Responses to the consultation must be taken into account by Full Council when setting the budget. Full Council should also be satisfied that a proper consultation has taken place in that consultation was undertaken when proposals were at a formative stage and sufficient reasons and time has been given to allow consultees to understand and respond to them properly.

The appendices to the report set out the process that was undertaken and how responses have been taken in to consideration by officers when developing proposals for final decision.

The report sets out the consultation process to be undertaken relation to any relevant operational decisions required to be made by Cabinet within the service budgets set by Full Council.

The Public Sector Equality duty requires Full Council to consider the need to promote equality for persons with “protected characteristics” and to have due regard to the need to i) eliminate discrimination, harassment, and victimisation; ii) advance equality of opportunity; and iii) foster good relations between persons who share a relevant protected characteristic and those who do not share it.

The Equalities Relevance Check is designed to assess whether there are any barriers in place that may prevent people with a protected characteristic using a service or benefiting from a policy. Full Council must take into consideration the information in the check before taking the decision.

#### **Advice given by Nancy Rollason, Head of Legal Service 15 February 2019**

##### **c. Human resources implications:**

The budget proposals for 2019/20 do not include a requirement for workforce reductions. However, some workforce reductions arising from the 2018/19 approved budget still need to be made, but these are not anticipated to be significant. Any requirement for redundancies will be mitigated through pro-active vacancy management and redeployment arrangements. 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 endeavors to avoid any job losses.

#### **Advice given by Mark Williams – Head of Human Resources, 14 January 2019**