

## 1. MAYOR'S BUDGET RECOMMENDATIONS TO COUNCIL

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The approval of Mayor's budget proposals to Council in respect of 2020/21 as set out in this report, subject to any amendments agreed at the meeting:

### **To note:**

- a) The report from the Scrutiny Budget Task and Finish Group.
- b) The budget consultation process that was followed and feedback as outlined in Section 17 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 in Section 15.

### **To agree:**

- e) The Bristol City Council levels of Council Tax increase of 3.99%; which includes 2% precept to support Adult Social Care and noting the precepts of the Police and Crime Commissioner for Avon and Somerset and the Avon Fire Authority.
- f) The Council's General Fund net revenue budget for the year 2020/21 as £395.7 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.
- g) The temporary movement in general reserves of up to £6.1 million (31%) to mitigate the forecasted year end emergent pressures in the People directorate as outlined in Section 5.
- h) Agree the Council's capital budget (including the HRA) for the years 2020/21 - 2024/25, totalling £966.1 million as set out in paragraph 13 and detailed in Appendix 2.
- i) The proposed total Schools budget of £374.2 million for 2020/21 as set out in paragraph 9, which will be funded by the Dedicated Schools Grant.
- j) The proposed Treasury Management Strategy for 2020/21 in Appendix 4, incorporating the Minimum Revenue Provision policy and the prudential indicators and limits.
- k) The calculations for determining the Council Tax requirement for the year 2020/21 as outlined in Section 8 and in accordance with the Local Government Finance Act 1992.
- l) To approve the Strategy for the Flexible use of Capital Receipts as set out in Appendix 5.

### **Delegation of authority**

- m) The delegation of authority to the Director of Finance after consultation with the Deputy Mayor, Cabinet Member for Finance, Governance and Performance and the Mayor, to make any necessary technical adjustments or adjustments to the figures upon receipt of the final Local Government Finance Settlement, West of England Combined Authority Budget and Department for Education funding clarifications; with transfers to and or from reserves as appropriate.

## 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
- Appendix 2 – Capital Programme 2020/21 – 2024/25
- 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

## 3. EXECUTIVE SUMMARY

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3.1. The council has a 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. The Government's recent spending round, announced in September 2019, committed additional funding to key public services including Education and Adult Social Care. It also enabled councils to remain in the 100% business rates retention pilot and generate more funding from local taxation via social care precept for a further year. The increase represents an important and welcome recognition of some of the major funding pressures being faced by local government.

3.2. We have been successful in managing our finances and not only setting an annual balanced budget but taking a medium-term approach, so we can invest in the areas that really matter, seek to protect the most vulnerable during these uncertain times and to invest in our city, in order to build confidence in the future.

3.3. The Council's proposed budget for 2020/21 should be seen in the context of the Corporate Strategy and Medium Term Financial Plan (MTFP) and represents a further step on the road through financial recovery to financial sustainability. It establishes a solid and resilient financial base to meet the future challenges that could result from the uncertain financial, social, economic and environmental climate.

3.4. The approved General Fund revenue budget for 2020/21 totals £395.7 million, a net increase of £17.4 million from 2019/20. This is made up of £26.0 million of investment in services offset by a tail of £8.7 million of savings and efficiencies previously agreed (2018/19). The ring-fenced budgets for Public Health is an indicative £32.5 million (increase of £0.9 million from 2019/20) and Dedicated Schools Grant £374.2 million (increase of £19.0 million from 2019/20) and Housing Revenue Account £122.8 million (a decrease of £3.7 million from 2019/20). ***Due to the complexity of these budgets, to aide public transparency the latter two of which are subject to separate reports on the agenda for this meeting and will be combined for full Council.***

3.5. In addition to the above the Council continues to progress the delivery of an ambitious rolling capital programme over the period from 2020/21 to 2024/25, which has a gross value of £966.0 million (including the HRA) and is fully funded through the use of external funding, capital receipts and borrowing.

3.6. To finance the general fund budgets outlined above it is proposed that the Council's element of the Council Tax for 2020/21 is increased by 3.99%. This takes into account the

Adult Social Care Precept of 2% and would enable a position to be achieved of a balanced budget for 2020/21.with no additional new savings.

## 4. COUNCIL STRATEGY & FINANCIAL PLANNING

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4.1. The One City Plan 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>

4.5. The Policy and Budget Framework provides the structure and process for budget decision making and the MTFP is a key financial planning document, covering a rolling five year period refreshed annually. It sets out the Council's strategic approach to the management of its finances and provides a financial framework within which delivery of the Council's priorities can be progressed.

4.6. The MTFP approved by Full Council on 17th December 2019 <https://www.bristol.gov.uk/council-spending-performance/council-budgets> outlined in broad terms, the specific service and funding issues over the period and how the Council will, within its financial constraints, fund its priorities and ensure financial sustainability and resilience can be achieved.

4.7. With the Spending Review now expected in 2020 and local government financial reforms of the system of business rates retention (100% to 75%) and fair funding review aimed at designing a new system for allocating funding between councils via a fair methodology, equalised as appropriate and set new funding baselines for every authority from 2021/22 this presents a significant risk to future funding.

4.8. The MTFP indicated that with sufficient planning for the uncertain financial climate in which we operate, the revised approach of de-risking the financial plan to ensure that government one-off, incentive or growth funding, that may be at risk in the future has been removed out of the base budget and funding for known on-going core services are aligned to on-going sustainable funding sources, the achievement of all historically agreed budget reductions, efficiencies and income generation proposals, targeted funding to support areas of need and setting council tax at levels assumed each year a balanced position could be achieved over the planning period.

4.9. 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 2020/21 announced by government on 20th December 2019.

4.10. Outlined below are the variations noted in the provisional settlement from the original MTFP assumptions.

<b>MTFP Changes</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Council Tax Base	0.306	0.251	0.181	0.098	-0.001
Other	0.005	0.003	-0.002	-0.004	0.003
One-off New Home Bonus	0.247	0	0	0	0
One-off Business Rates	0.401	0	0	0	0
<b>Total Change</b>	<b>0.959</b>	<b>0.254</b>	<b>0.179</b>	<b>0.094</b>	<b>0.002</b>

4.11. The above has been reflected in the budget and consideration of the Council's budget requirement and annual budget proposed in this report and will be used strategically to fund one off and emerging pressures, transformation / innovation or our planned invest to reduce revenue programmes.

4.12. 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.

## 5. REVENUE BUDGET POSITION FOR 2019/20

5.1. This report is concerned mainly with the budget estimates for 2020/21 however, it is important to consider the current year financial performance and therefore the starting point for formulating these budgets is the latest 2019/20 (P8) forecast outturn.

5.2. The current forecast of the year end revenue position, based on actual expenditure at the end of November 2019 is an estimated overspends of £6.5 million general fund (1.7% of the budget). This is predominately attributed to Adult Social Care, increase in service demand, market costs pressures and as a result non delivery of savings, Education Home to School Transport – the volume of routes and complexity of needs continues to increase. £2.1million underspend for HRA (1.3%), £1.0 million overspend for DSG (0.3%) and a balanced position for Public Heath grant.

5.3. It is expected that mitigations will continue to be explored across services within the directorates for activity to be contained within the delegated cash limits. However the scale, nature and timing of the emergent pressures within Adult Social Care and lack of opportunities for mitigation across the People directorate it is unlikely that these pressures can be contained.

5.4. One-off additional grant funding of £8.2 million has been allocated to Social Care to relieve emerging pressures and therefore it is proposed that the principle of adopting a council wide approach and holding funds in abeyance by spending reductions elsewhere across directorates not be applied in this instance.

5.5. The planning assumptions in the budget are therefore that the resulting year end overspends within the People directorate of up to £6.1 million (up to 31% of the general reserve) attributed to the current pressures evident within Adult Social Care and Home to School Transport could be met by a temporary year end movement from general reserves in 2019/20; followed by a reinstatement of the general reserve in 2020/21.

5.6. In line with approvals for supplementary estimates that require a draw down from general reserves which result in a deviation from the Council's agreed minimum reserve level, full Council's approval is sought for a temporary movement in general reserves of up to £6.1 million to mitigate the forecasted year end emergent pressures in the People directorate.

Approved Budget £m		Revised Budget £m	Forecast Outturn £m	Variance £m
226.3	People	226.7	232.9	6.2
53.9	Resources	53.6	53.7	0.1
61.1	Growth and Regeneration	59.9	60.2	0.3
<b>341.3</b>	<b>Sub-total</b>	<b>340.1</b>	<b>346.8</b>	<b>6.6</b>
35.0	Corporate Expenditure	36.2	36.1	-0.1
<b>376.3</b>	<b>Total</b>	<b>376.3</b>	<b>382.9</b>	<b>6.5</b>

5.7. Due to various decisions and slippage in capital projects, the original budget of £236.4 million for 2019/20 is set to decrease to a forecast spend of £158.4m (67%). Budgets are due to be re-profiled during the year to reflect the updated spend profile.

Approved Budget £m		Revised Budget Proposed £m	Movement £m	% Change
25.8	People	22.0	(3.8)	(15%)
17.7	Resources	16.1	(1.6)	(9%)
130.4	Growth and Regeneration	55.8	(74.6)	(57%)
<b>173.9</b>	<b>Sub-total</b>	<b>93.9</b>	<b>(80.0)</b>	<b>(46%)</b>
10.7	Corporate Expenditure	0.0	(10.7)	(100%)
51.8	HRA	49.5	(2.3)	(4%)
0.0	Commercial Investments	15.0	15.0	n/a
<b>236.4</b>	<b>Total</b>	<b>158.4</b>	<b>(78.0)</b>	<b>(33%)</b>

5.8. Further details of the forecast year end position can be found in the Period 8 2019/210 Financial Monitoring Report presented to Cabinet 21<sup>st</sup> January 2020.

## 6. GENERAL FUND REVENUE BUDGET 2020/21

6.1. The General fund base budgets are by far the most significant element of the Council's budget, they are the mainstream budgets for services 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.

6.2. The proposed revenue budget for 2020/21 totals £395.7million, a net increase of £17.4 million from 2019/20. This is made up of £26 million of investment in services offset by £8.7million of previously agreed savings and efficiencies. These investments are detailed in further sections below and historically agreed savings applicable to 2020/21 budget are outlined in the directorate budget analysis.

6.3. The table below provides a summary of the proposed General Fund Revenue budget for the 5 year MTFP period comparing to the approved 2019/21 budget.

19/20 £m		20/21 £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m
228.3	People	221.005	224.122	227.785	232.964	238.144
53.9	Resources	52.877	55.025	56.948	58.971	60.994
61.1	Growth and Regeneration	59.098	61.348	64.239	66.166	68.093
35.024	Corporate Expenditure Include One-off funding*	62.727	48.179	45.587	43.519	43.008
<b>378.324</b>	<b>Total Funding</b>	<b>395.707</b>	<b>388.674</b>	<b>394.559</b>	<b>401.620</b>	<b>410.239</b>
214.786	Council Tax	226.055	230.934	236.214	241.948	247.767
134.170	Business Rates (NNDR)	136.711	134.275	136.955	139.692	142.492
1.540	Business Rates Levy rebate	0.000	0.000	0.000	0.000	0.000
6.943	New Homes Bonus	6.387	3.485	1.410	0.000	0.000
19.985	Social Care Grant	28.190	19.980	19.980	19.980	19.980
0.900	Collection Fund Surplus/(Deficit)	-1.636	0.000	0.000	0.000	0.000
<b>378.324</b>	<b>Total Funding</b>	<b>395.707</b>	<b>388.674</b>	<b>394.559</b>	<b>401.620</b>	<b>410.239</b>
<b>0</b>	<b>Budget Surplus/(Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*Pay Inflation is currently held under corporate budget and will be allocated out to directorates' budgets in due course

6.4. The following specific changes and key assumptions have been made in the development of the 2020/21 budget.

- Total Council Tax increase of 3.99% (including 2% Adult Social Care Precept)
- Increase of £2.5m in the amount of business rates income receivable, due mainly to a 1.6% 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 2020/21, note final pay award has not yet been agreed with trade unions, this is held centrally pending final decision.

- Centrally held general inflationary provision for supplies and services budgets, e.g. 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.
- 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.
- Unallocated general reserve will be retained at between 5%- 6% of the net revenue budget.

6.5. Table below summaries the year on year baseline expenditure movement:

<b>General Fund Baseline Budget</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Pay Award & Increments	(4.765)	(4.973)	(5.181)	(5.472)	(5.472)
Contract Inflation Net of Income Inflation	(4.603)	(4.754)	(4.941)	(3.785)	(3.784)
Capital Financing	(7.500)	(0.027)	0.588	(0.214)	0.637
Previously Approved Savings	8.652	3.100	0.724	0	0
Other Previously Approved Adjustments	(0.033)	(0.886)	(1.150)	0	0
Members Allowance	(0.140)	0	0	0	0
Adult Social Care	(2.500)	0.500	2.000	0	0
Waste Contract Inflation & Payment Mechanism Pressure	(1.000)	0	0	1.000	0
Safer City - Youth Violence	0.000	(0.030)	0	0	0
Land Charges- Legislative changes	0.000	(0.290)	0	0	0
Climate Change / Air Quality - Delivery Capacity	(0.150)	(0.150)	0	0	0
Health & Safety - Resources in Services	(0.100)	0	0	0	0
Pressures attributed to savings not deliverable	(0.380)	0	0	0	0
<b>Baseline Budget Movement</b>	<b>(12.519)</b>	<b>(7.510)</b>	<b>(7.960)</b>	<b>(8.471)</b>	<b>(8.619)</b>

6.6. 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 any further reductions in government funding.

6.7. Whilst council tax capping rules remain in place, for 2020/21 the referendum threshold set by central government was maintained at 4% for Bristol, which includes 2% 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 loss in future years, without the costly exercise of a referendum.

6.8. During this period of continued uncertainty, we are conscious of the impact of council tax increases on Bristol residents. Given the growth in demand for our services and the absence of any new permanent funding being made available by government, the Council is required to take action to ensure the sustainability of Social Care therefore proposes a social care precept of 2%. The proposal within the report is that for 2020/21 budget should be

predicated on the basis of a proposed increase of 3.99% (£8.7m) in the amount of Council Tax income receivable, split between:

- General Council Tax increase of 1.99% (i.e. £4.3m)
- Social Care precept of 2.0% (i.e. £4.3m)
- In addition to the above, Growth in the size of the Council Tax base (i.e. £2.4m)

6.9. 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 £39.5 million in 2020/21.

6.10. 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.

6.11. 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.

6.12. The budget outline above incorporates £18 million of one off or incentive funding and £1 million of redirected earmarked reserves. The MTFP principles is that one-off funding is utilised for one-off commitments and the table below summarises the proposed use of available one-off funding to support one off pressures in the budget.

<b>General Fund One-off Budget</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>5 Year Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Forecast One-off Funding	18.030	3.490	1.400	0.000	0.000	<b>22.920</b>
Redirection from Reserves	1.145					<b>1.145</b>
<b>Total One-off Budget</b>	<b>19.175</b>	<b>3.490</b>	<b>1.400</b>	<b>0.000</b>	<b>0.000</b>	<b>24.065</b>
<b>One-off Pressures:</b>						
2019/20 Pressures (P8)- Adult Social Care	(5.500)					<b>(5.500)</b>
2019/20 Pressures (P8) - Home to School Transport	(0.600)					<b>(0.600)</b>
<b>Total 19/20 Pressures</b>	<b>(6.100)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(6.100)</b>
<b>One-off funding Available</b>	<b>13.075</b>	<b>3.490</b>	<b>1.400</b>	<b>0.000</b>	<b>0.000</b>	<b>17.965</b>

\*Items highlighted in Grey is 2019/20 overspend paid back to General Reserves in 2020/21

6.13. Table below illustrate the new pressures funded from one-off funding:

<b>General Fund One-off Budget</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>5 Year Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>One-off funding Available</b>	<b>13.075</b>	<b>3.490</b>	<b>1.400</b>	<b>0.000</b>	<b>0.000</b>	<b>17.965</b>
Facility Management part year pressures 2020-21	(1.000)					(1.000)
Developing Property Strategy/ Asset Management Plan	(0.500)	(0.500)	(0.500)			(1.500)
Children and Young people - Serious violence	0.000	(1.500)				(1.500)
Adult Social Care innovation fund	(2.100)	(0.600)				(2.700)
Climate Change Reserve	(3.000)					(3.000)
Resilience Reserve	(3.000)					(3.000)
Risk Reserve 2020/21 Pressure	(0.397)	0.010				(0.387)
<b>Amount Held in Reserves</b>	<b>(9.997)</b>	<b>(2.590)</b>	<b>(0.500)</b>	<b>0.000</b>	<b>0.000</b>	<b>(13.087)</b>
Transformation Projects (e.g. City Leap)	(1.500)					(1.500)
GF - Special Education Needs & Disability (SEND)	(0.500)	(0.500)	(0.500)	0.000	0.000	(1.500)
PMO Delivery Capacity	(0.400)	(0.400)	(0.400)			(1.200)
Bear Pit (not contained in 19/20 spend)	(0.350)					(0.350)
Project Management - Regeneration Projects	(0.250)					(0.250)
Economic strategy	(0.078)					(0.078)
<b>Amount Allocated to Services</b>	<b>(3.078)</b>	<b>(0.900)</b>	<b>(0.900)</b>	<b>0.000</b>	<b>0.000</b>	<b>(4.878)</b>
<b>Total New Pressures</b>	<b>(13.075)</b>	<b>(3.490)</b>	<b>(1.400)</b>	<b>0.000</b>	<b>0.000</b>	<b>(17.965)</b>
<b>One-off Budget Position</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

\*Items highlighted in Grey are initially held in Reserves subject to further detail for draw down

## **People**

### **Adults**

6.14. Local authorities have a legal duty to commission care services for any adults who meet the requirement of the centrally set needs and means tests. The actual annual spend for Adult Social Care has increased from £138 million in 2017/18 (beginning of the five year rolling MTFP) to a forecast outturn of £154.4 for 2019/20 despite any efficiencies they might have made.

6.15. There are various drivers resulting in financial pressures a flavour of which is captured below:

- Rising demand for care among working-age adults - better health care has improved the life expectancy of people with some physical and learning disabilities, meaning more working-age adults are now in need of social care. These adults are also less likely than older adults to have financial assets and therefore qualify them to receive publicly funded care.
- The pressures on the NHS are well reported and impacting significantly on Adult Social Care with alleviating measures, in terms of reducing avoidable entries to hospitals, ensuring patients are not delayed and can get out of hospital quicker, home care, reablement, home adaptations and care in residential and nursing homes – which is more intensive and expensive.
- Both of the above factors have increased demand for placements across the region, and cost pressures due to lack of capacity in the market for delivering services.

6.16. Though adult social care is delivered and mainly funded locally, decisions by central government strongly shape how much money local authorities have to do this – as well as what they are obliged to spend it on. This makes adult social care a national as well as a local responsibility.

6.17. These increasing costs are threatening to overwhelm the Council's ability to manage its finances and it is not clear whether public funding for adult social care will increase. The government committed to “ensure that adult social care funding is such that it does not impose any additional pressures on the NHS over the coming five years” in the NHS long-term plan, but there is no clear timetable for social care reform and the 2019 spending round only confirmed grants for social care in 2020/21.

6.18. Whilst we recognise the need for wider change at a national level to make the social care system fair and sustainable in the future, tackling our immediate social care challenges will require decisive action and appropriate funding to help enable the transition to an approach based on a higher level of early intervention and prevention. This is why we are proposing a 2% Social care precept in 2020/21 (£4.3 million and prioritising additional expenditure of £8.2 million (£2.7million to be held in reserve subject to agreement of Cabinet of full detailed business case) in Adult Social care at a time of financial challenges and uncertainties.

### **Children's Social Care**

6.19. The Children's Social Care service has experienced escalating levels of serious youth violence and extra-familial risk, including gang affiliation, criminal exploitation and abuse. This alongside a growing child population and improved intelligence and awareness of serious violence and complex safeguarding demands, has presented challenges to the

directorate in achieving a balanced budget.

6.20. An earmarked reserve of £0.9 million was allocated in 2019/20 to meet the rising demand attributed to serious youth violence should the additional pressure not be contained within the grant funding received. In recognition of the increasing trend a further £1.5 million has been earmarked from the one off grant funding.

### **Education**

6.21. The Education service is reporting an in-year pressure of £0.6m relating to Home to School Transport for children who have special education needs. This is likely to result in a supplementary estimate.

6.22. Following the finding of a CQC inspection in 2019, the Education service has developed an action plan and sought approval for funding to address some of the concerns reported, which includes improvement of the Education, Health and Care Plan (EHCP) statutory processes and implement new diagnostic pathway for Autism Spectrum Disorder (ASD) assessment to impact on assessment times and offer clarity to parents and carers. The result of these improvements may also impact on SEND demand under DSG and Schools' budget which needs to be closely monitored and proactively managed throughout financial year 2020/21.

6.23. In addition to the £1.6 million funding approved by Cabinet in July 2019 to support resource plan for the SEND function, this budget is proposing a further £1.5 million from the one-off incentive funding to complement the £1.3 million funding identified from within the DSG in 2020/21 to support the improvement programme. Please note the DfE is consulting on the restriction to the use of general fund to support DSG deficit in the future.

### **Growth and Regeneration**

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

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

6.25. In addition to the above, waste management investment is predominantly attributed to a change in accounting treatment for the annual growth funding, which from the establishment of Bristol Waste Company, was first funded from the one-off earmarked reserves, and now added to the base budget. This growth is predominantly 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.

6.26. 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 later sections – Capital Programme.

### **Resources**

6.27. The Directorate contains the Council's key professional support services which support the strategic direction of the Council and provide essential support 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.

6.28. During 2019/20 the responsibility for the Facility Management Services was transferred under Resource from G&R. At P8 Facility Management is reporting a forecast pressure of £1.6 million, £1.5 million of which has been mitigated as one-off actions by others services in Resources. This pressure mainly relates to costs in maintaining the

Council's operational assets and internal services. The Directorate is exploring various options to find recurrent mitigations for this overspend.

### Corporate Expenditure Accounts

6.29. 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 and associated entries relating to the complexities of the capital accounting requirements. In addition, in accordance with accounting requirements, central accounts include those costs which are defined as the Corporate and Democratic Core and Levies.

	2020/21 £m
Capital Financing	24.227
Corporate and Democratic Core and Levies*	6.543
One off funding held prior to transfer	18.030
Other including Contract Inflation and pay awards	13.929
<b>Total</b>	<b>62.727</b>

*\*This excludes the WECA levies*

### Savings

6.30. At its meeting on 20 February Full Council approved £76.4m of pipeline saving activity. Savings proposals totalling £0.380m attributed to commissioning efficiencies on services provided by external partners could not be achieved without a reduction in community engagement activity and as such this has been reduced; utilising the Mayors risk consultation reserve in 2019/20 and base budget adjustment within the 2020/21 annual budget.

	Original Saving* £m	Delivered £m	Removed £m	Residual Saving £m
FP01 - Review and reduce spend on services provided by external partners	5.000	2.620	0.380	2.000
<b>Total</b>	<b>5.000</b>	<b>2.620</b>	<b>0.380</b>	<b>2.000</b>

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

6.31. The profile of the £12.4 million residual tail of the savings efficiency programme is outlined in the table below and £8.7 million was built within the MTFP for 2020/21. Meanwhile as outlined in the 2019/20 annual budget there were no new savings requirements in the proposed 2020/21 budget or over the further four forecast years of the MTFP.

	20/21 £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m
<b>Savings as agreed by Full Council</b>	12.612	7.100	4.774	-	-
Crosscutting savings offset against inflationary pressures (delivered)	(3.960)	(4.000)	(4.050)	-	-
<b>Total</b>	<b>8.652</b>	<b>3.100</b>	<b>0.724</b>	-	-

## Long Term Investments / Shareholdings

6.32. 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. A set of business plans for these entity are presented to Cabinet 21st January 2020 (earlier on this agenda).

6.33. As at 31 December 2019, the Council had approved investment of £62.4 million in long term investments and shareholdings in the wholly owned Council subsidiaries as outlined in the Capital Strategy <https://www.bristol.gov.uk/council-spending-performance/council-budgets> with £54 million invested as at this date. In addition to the above we have earmarked £4 million in the development of Bristol City Leap and this report makes provision for a further £1.5 million to the end of the procurement process.

6.34. In relation to the wholly owned companies 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.

6.35. 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.

6.36. Business plans are being refreshed / developed for their annual submission to Cabinet for consideration. The plans will need to be agile and refreshed to reflect the changing market conditions and operating models 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.

6.37. 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.

## 7. COLLECTION FUND SURPLUS / DEFICIT

7.1. 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.

7.2. As previously reported to the Council on 14 January 2020, overall there is an estimated deficit on the Collection Fund for the year ending 31 March 2020 of £1.636 million.

## 8. COUNCIL TAX 2020/21

8.1. The referendum threshold for increasing the council tax has remained at 4% which include 2% Social Care Precept and core council tax increase of 2%. The precept will need to be identified separately and the s151 Officer will be expected to notify the Secretary of State of the amount intended to be raised and verify that the funding has been used for adult social care.

### Calculation of the Council's Tax Base

8.2. On 14th January 2020 Full Council is to approve the Bristol City Council's tax base for the year 2020/21 as 128,566. This represents an increase of some 1.2% on the previous year's tax base (126,999).

### Council Tax by Band

8.3. It is recommended that the following amounts be submitted for agreement by Full Council for the year 2020/21:

- £226,055,751 being the sum to be met from Council tax in 2020/21 for services provision 214,732,458 in 2019/20.

Bristol City Council's share of the council tax for the year 2020/21 for the services it provides for each category of dwelling shown as follows:-

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
2020/21 Council Tax	1,172.19	1,367.55	1,562.92	1,758.28	2,149.02	2,539.75	2,930.47	3,516.57
2019/20 Council Tax	1,127.21	1,315.08	1,502.95	1,690.82	2,066.56	2,442.30	2,818.03	3,381.64
Percentage Increase	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%
Annual Increase	44.98	52.47	59.97	67.46	82.46	97.45	112.44	134.93

## 9. DEDICATED SCHOOLS GRANT

9.1. The Dedicated Schools Grant is being considered as a separate report on this agenda and as such only a summary is incorporated within the report for Cabinet. Schools Forum considered the proposals on the use and distribution of the available funding at its meeting on 15th January 2020 and will feedback any final comments to be presented at the Cabinet meeting by the Cabinet Member for Education.

9.2. The Dedicated Schools Grant for 2020/21, advised by the Education and Skills Funding Agency is as follows taking into account the increase in minimum funding per pupil and following the National Funding Formula (NFF). The funding is then primarily generated by pupil numbers from the October census. The October 2019 census had 36,150 primary pupils, a decrease of 67 (0.18%) from October 2018, with secondary pupil numbers increasing by 798 (4.34%) to 19,180. Funding per pupil has also increased (by 3.94%), resulting in an overall increase in the DSG funding of £19.039m to £374.190m.

9.3. The table below provides a high level description for each block and shows the annual changes in funding.

DSG Blocks	Purpose	2019/20	2020/21	Increase	Increase
		DSG	DSG		
		£m	£m	%	£m
Schools Block	For distribution through the mainstream formula for mainstream maintained schools and academies , and for growth in schools	261.45	273.86	5%	12.41
Central Services Block	For Local Authority core functions, admissions and historic commitments	2.90	2.72	-6%	(0.18)
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.	53.93	60.67	13%	6.74
Early Years	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.	36.88	36.94	0%	0.06
<b>Total Funding Received</b>		<b>355.16</b>	<b>374.19</b>	<b>5%</b>	<b>19.03</b>
<b>DGS Advance funding</b>		<b>2.41</b>	<b>0.00</b>		<b>(2.41)</b>
<b>Budget Position</b>		<b>357.6</b>	<b>374.2</b>		<b>16.6</b>

9.4. In order to fund the High Needs Budget in 2019/20, £2.4m of High Needs DSG funding was brought forward in advance from 2020/21 to cover the 2019/20 in-year shortfall. This is permissible under the DSG regulations, but did not address the underlying shortfall in the High Needs DSG, in fact the reported overspend on high needs was £1.4m higher that had to be covered by using carried forward DSG balances, see table below:

<i>DGS Balances</i>	<i>Balance Brought-Forward</i>	<i>DSG Allocation 2019/20</i>	<i>Forecast Outturn Period 08 2019/20</i>	<i>In-year variance</i>	<i>Forecast Carry-forward Period 08 2019/20</i>
Schools Block	0.000	(259.445)	(259.445)	0.000	0.000
De-delegation	0.414	0.000	0.000	0.000	0.414
Schools Central Block	0.000	(2.329)	(2.329)	0.000	0.000
Early Years	1.115	(36.461)	(36.045)	0.416	1.531
High Needs Block	0.433	(58.904)	(60.281)	(1.377)	(0.944)
Grant Funding	0.000	354.732	354.732	0.000	0.000
DGS Advance funding from 2020/21 *	0.000	2.407	2.407	0.000	0.000
<b>Surplus /(Deficit)</b>	<b>1.962</b>	<b>0.000</b>	<b>(0.961)</b>	<b>(0.961)</b>	<b>1.001</b>

9.5. In order to insure the a balance DSG position for 2020/21, a number of transfers between the blocks are proposed under this reporting, please note that these transfer between blocks remains below 0.5% threshold, any amount beyond which would require Secretary of State Approval.

9.6. Meanwhile 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.

<i>DSG Blocks</i>	<i>DSG Settlement 2020/21</i>	<i>Movement between blocks</i>	<i>Final DSG allocations 2020/21</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Schools block	£273.86	(£1.37)	£272.49
Central Services Block	£2.72	(£0.33)	£2.39
High Needs Block	£60.67	£1.70	£62.38
Early Years	£36.94		£36.94
<b>Total</b>	<b>£374.19</b>	<b>£0.00</b>	<b>£374.19</b>

## 10. PUBLIC HEALTH GRANT

10.1. The annual Public Health grant is currently provided to the local authority by the Department of Health and Social care. The grant meets the cost of Public Health services and functions which transferred to the local authority under the terms of the 2012 Health and Social Care Act.

10.2. The SR19 included a 'real-terms increase to the ring fenced PH Grant budget. However, there has been no confirmation of the final settlement for 2020/21. It is expected

that additional obligations would accompany any increase, and that these may well exceed the overall grant total. If the anticipated uplifts are forthcoming the Bristol estimate the budget for 2020/21 to be c. £32.5m (in comparison to £31.6m 2019/20).

10.3. Additional obligations are likely to include costs of PREP prescribing for HIV, the cost of Agenda for Change uplifts for all nursing staff in commissioning services; and mandate tobacco control. The cost is currently unquantified but may exceed the anticipated uplift.

10.4. The future of Public Health beyond 2020/21 is more uncertain and will be subject to the government's fair funding review and may include moving from a grant to a baseline formula with attached conditions.

10.5. See table below for details of the indicative Public Health 2020/21 budget:

<b>Public Health Budget</b>	<b>2019/20 Budget</b>	<b>2019/20 Forecast</b>	<b>2020/21 Indicative</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Public Health Grant	31.6	31.6	32.5
Other Income	4.7	4.6	4.7
Use of Reserve	0.8	0.1	0.3
<b>Total Funding</b>	<b>37.1</b>	<b>36.4</b>	<b>37.5</b>
Salaries	-2.8	-2.5	-2.7
Running Costs & Overheads	-1.2	-1.2	-1.3
Internal Commissioned Services	-5.9	-5.9	-5.3
External Commissioned Services	-27.2	-26.7	-27.3
Proposals in Development	0.0	0.0	-0.9
Gross Cost	-37.1	-36.4	-37.5
<b>Net Spend</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

10.6. Public Health Commissioned Services and Programmes include:

- Substance Misuse
- Sexual Health
- Public Health Nursing
- Smoking Cessation and Tobacco Control
- Mandated Health Checks
- National Child Measurement Programme
- Sport and Leisure Services
- Thrive Bristol (Mental and Emotional Wellbeing)
- Alive Bristol (Healthy Weight)

10.7. The Public Health Grant also funds:

- The Bristol City Council Community Development Team
- A contribution to the Bristol Impact Fund
- A contribution to Children's Centres

## 11. HOUSING REVENUE ACCOUNT

11.1. Housing Revenue Account (HRA) is a ring-fenced self-financing account, where the Council retains all rental income but must finance all capital and revenue costs associated with its existing and new housing stock. 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.

11.2. In a separate report on 21 January 2020 (earlier on this agenda), the Mayor is asked to recommend to Full Council the 2020/21 HRA budget in line with the recent government policy changes. A refreshed HRA 30 year business plan will be brought back to Cabinet in summer 2020, aligned with the timing of the annual MTFP refresh.

11.3. There have been a number of changes to government policy which have impacted on HRA planning assumptions.

11.4. The lifting of the HRA borrowing cap which means local authorities are now able to leverage the financial strength of the HRA to raise additional financing, in line with the Prudential Code.

11.5. From 2020 a new national Rent Policy and Rent Standard are effective for assessing rents for social housing, which also provide guidance on rent changes. The new Standard allows social landlords to:

- Increase rents by CPI +1% (subject to a rent cap)
- Utilise 5% flexibility for formula rents on general needs and 10% flexibility on formula rents for supported housing when re-letting to a new tenant

11.6. It is proposed that the Council freeze rents for existing tenants for one year from April 2020 and to have the option to utilise the 5% flexibility on relets which reflect the investments made in bringing these properties to an improved quality standard whilst still being lower than comparative benchmarks.

11.7. The Council has an ambitious development programme and the budget proposal assumes that £18.4m of the current HRA reserves (£86.5m) will be utilised in 2020/21 in order to fund the programme.

## 12. WEST OF ENGLAND COMBINED AUTHORITY (WECA)

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12.1. Subject to Cabinet approval for the transfer of selected transport functions, there will be a transfer of the budget for staff and resources of £1.46m (subject to final analysis and formal consultation with affected staff). The Budget for new services transferring into the WECA Levy totals £1.46m and is currently part of the sustainable transport budget. The budget will be transferred to a corporate levy budget and removed from the Management of Place budget. BCC's existing WECA levy is budgeted at £8 million, of which £45k relates to potential staffing costs arising as a result of the transfer to WECA.

12.2. The Budget for the WECA and Mayoral budget will be set on 31 January 2020 by the WECA Committee – following the receipt of the details, the changes from 2019/20 to 2020/21 will be incorporated into the Council's budget.

## 13. CAPITAL PROGRAMME

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

13.2. The Council's capital strategy which was approved in December 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 is 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.*

13.3. The Council has an ambitious capital programme over the next five years. A significant proportion 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. This is balanced against areas which will support improvements in on-going Council services such as investing in infrastructure to support delivery of Social Care and Education services.

13.4. The Capital Programme as over the next five years at a gross budget of £966 million is fully funded through the use of external funding, capital receipts and borrowing where appropriate. A number of the 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.

13.5. Capital and revenue expenditure cannot be considered in isolation of each other. The capital strategy set a principal to contain the annual revenue expenditure to finance capital investment at 10% of the annual net revenue budget.

13.6. High levels of capital investment means the Council will incur a higher level of fixed annual costs for the foreseeable future and impacts upon revenue resources available to fund day-to-day services. Any new proposals go through defined prioritisation criteria as set out in the strategy to ensure it remains within an affordable envelope. This has involved broadly ranking any new pressures as priority 1 or priority 2 and 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 to ensure greater assurance of delivery.

13.7. The Council has significant capital investment requirements in its HRA Housing stock, which includes regular planned maintenance and refurbishments to existing assets as well as programmes to deliver new housing stock. In October 2018 the Government lifted the HRA borrowing cap meaning Councils were able to increase borrowing within the HRA. The current capital programme for the HRA includes a previously approved £43m of borrowing to support the programme of new build housing. The 30 year HRA business plan is currently being reviewed which will include reviewing the level of planned borrowing.

13.8. The Council must ensure sufficient funding is available to meet the requirements of the agreed projects within its Treasury Management Strategy, which is reviewed annually 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.

13.9. The table below summarises our current capital spending plans for the next five years that total £966 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	24/25 £m
22.0	People	32.3	14.6	0.1	0.0	0.0
56.9	Growth & Regeneration	163.3	104.6	61.6	67.1	45.8
16.0	Resources	14.3	7.6	5.3	4.0	0.0
0.0	Corporate	1.5	1.5	3.4	4.4	7.0
0.1	Pending Schemes	0.6	12.4	23.8	25.4	11.4
49.5	Housing Revenue Account	79.7	63.0	76.7	76.3	58.3
<b>144.4</b>	<b>Total</b>	<b>291.9</b>	<b>203.8</b>	<b>170.8</b>	<b>177.2</b>	<b>122.4</b>
	<i>Financed by:</i>					
(34.5)	Prudential Borrowing	(71.6)	(43.9)	(24.1)	(25.7)	(7.2)
(41.1)	Grant	(90.0)	(38.9)	(30.4)	(33.4)	(16.9)
(1.4)	Developer Contributions	(9.1)	(12.6)	(10.1)	(8.5)	(6.5)
(15.1)	Capital Receipts (GF)	(25.2)	(28.8)	(20.5)	(24.1)	(19.4)
(0.3)	Revenue/Reserves (GF)	(2.2)	(1.5)	(0.3)	0.0	0.0
(2.5)	Economic Development Fund	(14.0)	(15.2)	(8.8)	(9.3)	(14.2)
(49.5)	Housing Revenue Account	(79.7)	(63.0)	(76.7)	(76.3)	(58.3)
<b>(144.4)</b>	<b>Total</b>	<b>(291.9)</b>	<b>(203.8)</b>	<b>(170.8)</b>	<b>(177.3)</b>	<b>(122.4)</b>

## 14. TREASURY MANAGEMENT STRATEGY

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

## 15. RISK MANAGEMENT AND FINANCIAL ASSURANCE STATEMENT

15.1. 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.

15.2. 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?

15.3. Responses to the above are outlined in section 15.11 below.

15.4. 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.

15.5. 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.

15.6. Parent Company Guarantees are in place that underwrites our subsidiary trading activity and these could present significant risks. As the value grows, mitigating actions are being considered which de-risk the activity and the details where relevant will be outlined within the Business Plan of the subsidiary. An assessment is also undertaken of the sufficiency of the Council's earmarked and general reserves and the Council's ability to mitigate this risk should the need arise. Regular reports are provided to enable the Council to actively monitor the position during the course of the year and take the necessary action to reduce activity or increase the provision.

15.7. 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.

15.8. 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 £20.0million and a financial risk resilience reserve totalling £7.4m as at 1 April 2020, which when combined represent 6.9% of the 2020/21 net revenue budget.
- Other earmarked reserves totalling £60.3 million as at 1 April 2020 (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.

15.9. In the context of the above, the Chief Finance Officer considers the proposed budget for 2020/21 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 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 prevent the realising of operational earmarked reserves, directorates are required to have in place a clear plan for the drawdown of the reserves in line with the profile.
- Effective governance arrangements at a service and corporate level, to monitor the overall delivery of the 2020-21 budget plus regular finance monitoring reports to Cabinet and Scrutiny Commissions.
- There is a clear understanding of the duties of the Council’s statutory finance officer and that the service implications of them being exercised are fully understood.

15.10. Risks and opportunities are outlined in depth within the MTFP and key risks summarised below:

- Local government funding – 2021/22 potential risk of material variation resulting from the 2020 Spending Review, Fair funding equalisation, and Business rates reforms including the future of the 100% business rates retention pilot. The significant uncertainty in the future funding available means that we need to ensure the Council is resilient to any future financial shocks that may impact the Council.

15.11. Table – Assessment of robustness of any estimates

Area	Y/N	Response
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Is performance against the current year's budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans?	Y	Management action plans are presented to Budget Scrutiny / CLB containing propositions to manage, include in transformation or request a contingency.
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	Allocations for propositions which do not have a source or clear methodology are held in abeyance subject to the production of a business case with detailed options and financial analysis.
The alignment of resources with the Council's service and organisational priorities	Y	Integrated budget and service planning exercise is undertaken for 2020/21 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, 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.
Has a reasonable estimate of future income been made?	Y	Yes for income streams material to the councils financial position. E.g. Business Rates.
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 are at early stages and still need to be embedded.

Is there a reasonable contingency available to cover the financial risks faced by the council?	Y	Risk reserves are outlined in section 14 and a small element remains of contingencies set aside for non-delivery of savings across the life of the MTFP
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 where necessary additional skills / capability is commissioned.
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	Y	There has been widespread and practical engagement throughout the budget development and construction process with senior colleagues, Executive Councillors and Scrutiny MTFP task and Budget Task and finish group.

## 16. RESERVES AND BALANCES

16.1. 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.

16.2. 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.

16.3. 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

16.4. 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.

16.5. The balance of the General Fund Reserve at 1 April 2020 is anticipated to be £20m (5%) This will be reviewed annually and maintained at this level for 2020/21.

### Earmarked Reserves

16.6. 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.

16.7. The opening balance in earmarked reserves on 1 April 2019 was £81.2 million. During the year 2019/20 there was a planned contribution of £8.9m approved by Full Council under 2019/20 budget setting, (mainly from clawback of MRP overprovision from previous years).

16.8. Cabinet at P4 approved the reallocation and redirection of £6.8m of reserves to a list of Mayoral priorities in 2019/20. This was achieved by redirecting £3.2m general reserves (from 18/19 one-off revenue surplus) and reallocating £3.6m of earmarked reserves to those areas. Table below also includes the additional movements since P4 as result of OED on Period Friendly Budget (£0.025m) and presentational re-categorisation of licencing reserve from Service Reserve to Ring-fenced reserve due to its ring fenced nature (£0.260m).

16.9. The estimated forecast drawdown of reserves is £31.8m leaving a forecast closing balance at 31 March 2020 of £81.6m.

<b>Reserve Type</b>	<b>Opening Balance 01.04.2019</b>	<b>Previously Approved Movement</b>	<b>Revised Opening Balance 19/20 at P4</b>	<b>Proposed Reprioritisa tion in this Budget</b>	<b>Estimated Draw Down 19/20</b>	<b>Closing Balance at 31.03.2020</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Capital Investment	(14.230)	(9.450)	(23.680)		9.225	(14.455)
Risk	0.000	(6.193)	(6.193)	(1.178)		(7.372)
Service	(17.419)	(1.605)	(19.024)	0.805	10.375	(7.843)
Statutory/Ring-Fenced	(14.825)	(0.260)	(15.085)		0.400	(14.685)
Business Transformation	(4.362)	1.015	(3.347)		0.920	(2.427)
Financing	(11.735)	1.421	(10.314)		0.500	(9.814)
Risk Management	(16.859)	2.901	(13.958)		3.610	(10.348)
Legal	(0.750)	0.000	(0.750)		0.250	(0.500)
Consultation reserve	(1.000)	0.051	(0.949)	0.340	0.380	(0.229)
<b>Earmarked Reserve Total</b>	<b>(81.179)</b>	<b>(12.120)</b>	<b>(93.299)</b>	<b>(0.033)</b>	<b>25.660</b>	<b>(67.672)</b>
<b>General Reserves</b>	<b>(23.258)</b>	<b>3.225</b>	<b>(20.033)</b>	<b>0.033</b>	<b>6.100</b>	<b>(13.900)</b>
<b>Total Reserves</b>	<b>(104.437)</b>	<b>(8.895)</b>	<b>(113.332)</b>	<b>0.000</b>	<b>31.760</b>	<b>(81.572)</b>

#### **Reserve type and description**

Capital Investment Reserves	The capital reserve is maintained to provide funding for the Council's capital / commercial investments and growth in Enterprise areas including Energy.
Business Transformation Reserves	Invest to save funds and feasibility funds for transformation programmes
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: - Bristol Futures - to provide new technology to improve public services - Development Fund primarily to fund Docks Asset Survey existing and proposed regeneration schemes - Election reserve for local elections
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

16.10. As set out in accordance with the policy on reserves, all forecasted balances to 31 March 2020 have been reviewed for their continuing need, alignment with council priorities and a risk assessment considering internal and external factors has been undertaken.

16.11. As a result this report proposed to redirect £1.2 million of earmarked reserves, detailed in the table below:

<b>Reserve Name</b>	<b>Redirected Reserve £m</b>	<b>New Reserve £m</b>	<b>Net Movement £m</b>
Business Risk Reserve (19/20 P4 Pressure)		(0.033)	(0.033)
New Funding Holder Reserve 2020/21		(1.145)	(1.145)
<b>Risk Total</b>	<b>0.000</b>	<b>(1.178)</b>	<b>(1.178)</b>
Bear Pit		(0.340)	(0.340)
Business Information Management Systems (BIMS)		(0.068)	(0.068)
Cems & Crems Renewals	0.459		0.459
City Centre Revitalisation		(0.150)	(0.150)
Deferred Payment agreement 1516 revenue grant	0.098		0.098
Development Fund		(0.382)	(0.382)
Economic strategy		(0.078)	(0.078)
Energy Budget	0.106		0.106
Highways Asset Management System	0.020		0.020
Housing Delivery	0.384		0.384
Housing Delivery Service Redesign	0.000		0.000
JSP & Local Plan record		(0.272)	(0.272)
Marketing Budget	0.000		0.000
Neighbourhood Partnerships	0.100		0.100
Parking Renewals a/c	0.041		0.041
Parks	0.325		0.325
Pest control - Gull Work	0.050		0.050
Place - Highways Services Agency Staff Funding	0.020		0.020
Pledges		(0.438)	(0.438)
Project Management		(0.250)	(0.250)
Transport	1.181		1.181
<b>Service Total</b>	<b>2.783</b>	<b>(1.978)</b>	<b>0.805</b>
Business Transformation Reserve	2.000		2.000
Key Line of Business Systems*		(2.000)	(2.000)
<b>Business Transformation Total</b>	<b>2.000</b>	<b>(2.000)</b>	<b>0.000</b>
Future Risk (saving consultation reserve)	0.340		0.340
<b>Consultation reserve Total</b>	<b>0.340</b>	<b>0.000</b>	<b>0.340</b>
<b>Total Earmarked Reserve</b>	<b>5.123</b>	<b>(5.156)</b>	<b>(0.033)</b>
<b>General Reserves</b>	<b>0.033</b>	<b>0.000</b>	<b>0.033</b>

16.12. During 2020/21 there is a planned contribution to reserves of £21.0m. This will be allocated to the areas as outlined below:

Reserve Name	Proposed Transfers in 20/21	Proposed Transfers in 21/22	Proposed Transfers in 22/23
	£m	£m	£m
Capital Investment	(6.000)	(6.000)	(4.076)
Risk / Resilience	(3.252)	0.010	-
Serious violence and Contextual safeguarding	-	(1.500)	-
Docks Dredging	(0.095)	-	-
Adult Social Care Innovation Fund	(2.100)	(0.600)	-
Property Asset Management Plan	(0.500)	(0.500)	(0.500)
Climate Change Reserve	(3.000)	-	-
<b>Sub-Total</b>	<b>(14.947)</b>	<b>(8.590)</b>	<b>(4.576)</b>
<b>General Reserves</b>	<b>(6.100)</b>	<b>0.000</b>	<b>0.000</b>
<b>Total</b>	<b>(21.047)</b>	<b>(8.590)</b>	<b>(4.576)</b>
<b>Financed by:</b>			
One-off Funding 2020/21 Held in Reserves	13.807	2.590	0.500
Draw down Redirected Reserves	1.145	-	-
MRP Claw-back	6.000	6.000	4.076
Service Revenue Contribution	0.095	-	-
<b>Total</b>	<b>21.047</b>	<b>8.590</b>	<b>4.576</b>

16.13. The Council recently declared a climate emergency and the new climate change reserve has been proposed for tackling climate change and the damaging impact of air pollution.

16.14. The levels of General and Earmarked reserves recommended in this report for the financial year 2020/21 are believed to be sufficient to meet all of the Council's obligations, and have been based on a detailed risk assessment. The reserve limits will be reviewed on an annual basis against prevailing risk assessments which consider both internal and external factors.

## 17. CONSULTATION AND SCRUTINY INPUT

### Internal consultation:

17.1. 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 November 2019. The Resources Scrutiny commission considered the final budget proposals in meetings scheduled for 24 January 2020 and 6 February 2020.

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

### External consultation:

17.3. The consultation on the Council's 2020/21 budget was open for six weeks from 23 October 2018 until 4 December 2019. The consultation sought views about alternative options for the level of Council Tax increase and Social Care Precept in 2020/21, before decisions on the 2020/21 budget are made by Full Council in February 2020.

17.4. The consultation was widely publicised through media, social media and

communications with the public, including partner organisations, non-domestic rate payers and other stakeholders, a range of formats were available and utilised to boost response and individual responses were received and responses from organisations and individuals via email, suggestion boxes and at events.

17.5. The final report summarising the result is attached at Appendix 6.

17.6. The proposed budget contains propositions for increasing income and reducing costs. These proposals were included in previous consultations over the last three years.

### **Consultation Principles for New Proposals**

17.7. 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 initiative or specific implementation of an existing proposition the opportunity will be provided to discuss with the city the details of exactly how the proposal could be delivered within the approved cash limits.

17.8. 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, 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.

## **18. OTHER OPTIONS CONSIDERED**

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18.1. Throughout the budget process, large number options are proposed and assessed in terms of opportunities, pressures, income generation, investments and risks. All of which need to be considered in the context of a balanced budget and appropriate level of reserves. This is a complex process with many iterations and possibilities too numerous to present as discrete options. This report presents the final overall package of detailed proposals, which together seek to balance the delivery of our strategic priorities and statutory and regulatory duties.

## **19. PUBLIC SECTOR EQUALITY DUTIES**

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19.1. 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.

19.2. 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 on new proposals (Para 18.6). For these proposals a relevance check is required and, where it is indicated as needed by the relevance check, a full Equalities Impact Assessment will be undertaken to inform Cabinet when making that decision.