

Birmingham City Council

Report to Cabinet

12 November 2019



Subject: Budget Consultation 2020/21+

Report of: Acting Chief Executive and Interim Chief Finance Officer

Relevant Cabinet Member: Councillor Ian Ward - Leader,
Councillor Tristan Chatfield – Finance & Resources

Relevant O &S Chair(s): Councillor Carl Rice – Co-ordinating, Councillor Sir Albert Bore – Resources

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

- 1.1 This report sets out the City Council's proposed Medium Term Financial Strategy (MTFS) for the period 2020/21 to 2023/24. The objective of this Strategy is to provide a financial framework within which the Council's priorities can be delivered within a balanced budget for 2020/21 and a sustainable financial plan over the medium term. It should be noted that this is an interim update of the MTFS and that a full update will be brought back to Cabinet in February 2020 after the outcome of the Local Government finance settlement is confirmed.
- 1.2 The report provides the basis for consultation for General Fund revenue budget saving proposals of £5.532m in 2020/21, growing to £17.712m in 2022/23, and proposed increases in general Council Tax of 1.99% and Social Care Precept of 2%, leading to an overall increase of 3.99% in 2020/21. This consultation document will be considered by Coordinating Overview and Scrutiny Committee on 6 December. The consultation responses will be considered and feed into Cabinet's proposed budget which will be considered at Council on 25 February 2020.
- 1.3 The Strategy is based upon a number of key objectives:
- i. To ensure that the Council sets a legally balanced budget for 2020/21 and set out a plan to achieve financial balance over the period of the MTFS.
 - ii. To develop a modernisation programme to deliver improved outcomes for citizens and deliver ongoing cost efficiencies and growth in income streams to achieve financial balance over the medium term;
 - iii. To align resources more closely with Council priorities over the medium term;
 - iv. To plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities whilst gradually reducing the Council's reliance on Central Government funding;
 - v. To continue to focus upon the delivery of planned savings and ensure proactive management of financial pressures to deliver services within approved annual resources; and
 - vi. To continue to protect the Council's reserves for unforeseen financial adverse events. The Council will not use reserves to meet ongoing operational expenditure, nor to compensate for non-delivery of savings. However, reserves may be strategically used to provide pump prime funding for projects that deliver changes in working practices or to stimulate service modernisation and longer term cost efficiencies.
- 1.4 This report outlines the Cabinet's draft budget proposals for 2020/21 to 2023/24 to deliver its priority outcomes for residents in a financially sustainable way. The Council acknowledges that it will need to identify detailed plans to reduce its net spending from 2021/22 to achieve a balanced Medium Term Financial Strategy

that delivers better outcomes for citizens and best meets its priorities. The development and implementation of a modernisation programme will be instrumental in achieving this aim.

1.5 In February 2019 the Council set a balanced Medium Term Financial Strategy subject to a number of assumptions around the financial uncertainties faced by local government, including:

1.5.1 The Council would retain the benefits of the 100% business rates retention pilot over the medium term;

1.5.2 Any changes resulting from the Government’s planned “Fair Funding Review” would be financially neutral, despite the Council having suffered proportionately greater reductions in resources than other authorities in the past.

1.6 The intention was for the Council to deliver the priorities of the Council:

Outcome	Why is this important?
Birmingham is an entrepreneurial city to learn, work and invest in	We want a city that invests in its people, so that everyone can have opportunities to realise their potential through lifelong learning, skills and good jobs. We want to invest in the buildings and transport connections of our city to provide better places to live and work, and to enable businesses to prosper. HS2 will be a key milestone in the city’s development and we must make the most of this opportunity to boost our economy and key growth sectors, and enable our citizens to access employment.
Birmingham is an aspirational city to grow up in	We want to respond to our unique profile as one of the youngest cities in Europe to give all children from every background and community the best start in life, with a clear pathway to achieve success and realise their full potential.
Birmingham is a fulfilling city to age well in	We want citizens to live more active, longer, healthier and independent lives. We want to reduce social isolation so that people can make positive choices and take control of their wellbeing.
Birmingham is a great, clean and green city to live in	We want Birmingham to be a sustainable city of vibrant culture, flourishing neighbourhoods with good quality housing. A city with clean air, safe and clean streets and green spaces. We want to be a city where our citizens have pride in where they live, have a strong sense of belonging and a voice in how Birmingham is run.
Birmingham residents gain the maximum benefit from hosting the Commonwealth Games	Hosting the Commonwealth Games gives us a global stage to use the transformational power of sport and culture to project a positive image of our city, promote growth and provide a long-lasting legacy to the citizens of our city.
Birmingham is a city that takes a leading role in tackling climate change	Climate change is an urgent issue with a global reach that directly impacts upon Birmingham residents. We will work with our partners to tackle this issue to make Birmingham a city in which all of our residents, including those from our most deprived communities, can lead healthy, safe, fulfilling lives.

1.7 A three year Spending Review was expected to be announced in 2019. The Council began to make preparations for how this could impact on the level of resources retained. However, the Government has subsequently announced a one year Spending Round, confirming national allocation of resources for the coming year, but no certainty thereafter. This has also delayed the introduction of the Fair Funding Review and move to a 75% business rates retention scheme nationally. The outcome of this is that the Council anticipates to have £50.6m more resources in 2020/21, in the form of some new funding streams, than it anticipated when it set the budget in February 2019. However, much of this resource has only been announced on a one-off basis; the Council’s pragmatic and prudent planning assumption based upon the best available information is that £15.9m of this new resource will be available on an ongoing basis.

- 1.8 The Council now anticipates a three year Spending Review, the outcome of the Fair Funding Review and movement to a 75% business rates retention scheme nationally to be implemented for 2021/22, which causes significant uncertainty around the level of resources the Council will receive from 2021/21 given that we currently operate a 100% business rate pilot. Whilst the Council has proposed a balanced budget in 2020/21 as part of this consultation, the focus will be on developing and implementing a modernisation agenda to deliver significant levels of change in order to balance the budgets for 2021/22 and beyond.
- 1.9 For 2021/22 the Council is developing a programme of modernisation with the aim of delivering better outcomes for citizens and improving the delivery of the Council priorities. Further details will be reported to Cabinet over coming months.
- 1.10 The proposed 2020/21 budget position assumes a Council Tax increase of 3.99%, including a 2% increase for the Adult Social Care Precept. The final Council Tax increase will be subject to Full Council approval in February 2020.
- 1.11 The savings proposals in this report will deliver a balanced budget for 2020/21. Details on individual savings proposals are provided in Appendix 1.
- 1.12 The table below provides an overview of the savings position over the period 2020/21 – 2023/24.

Savings Requirement 2020/21 – 2023/24				
	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
Savings Requirement	26.964	67.090	70.609	81.568
Financial Plan 2019-2023 (Approved)	(21.432)	(35.509)	(37.829)	(37.612)
New Savings Proposals	(5.532)	(15.402)	(15.517)	(17.712)
Other Solutions to be determined	0.000	16.179	17.263	26.224

2 Recommendations

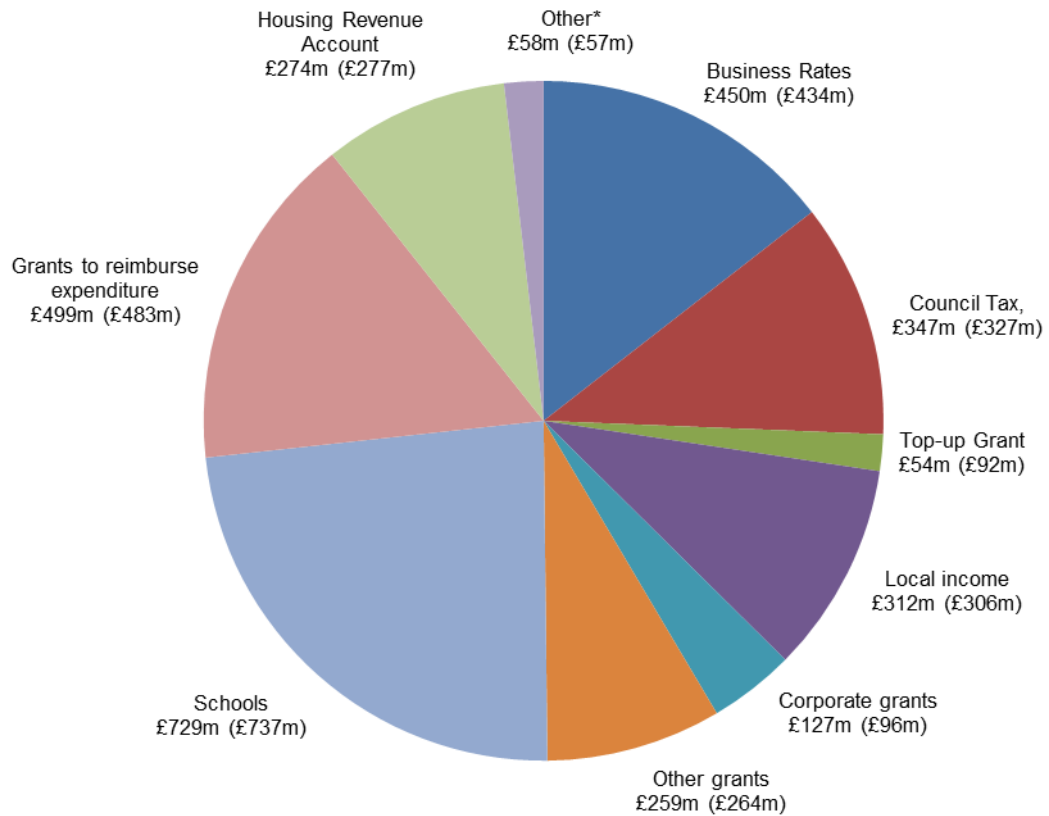
That Cabinet

- 2.1 Agrees consultation arrangements and approves the budget consultation document (attached at Appendix 1); and notes that formal budget consultation will begin on 18 November 2019 but that some proposals may be subject to different or further consultation when proposals are finalised;

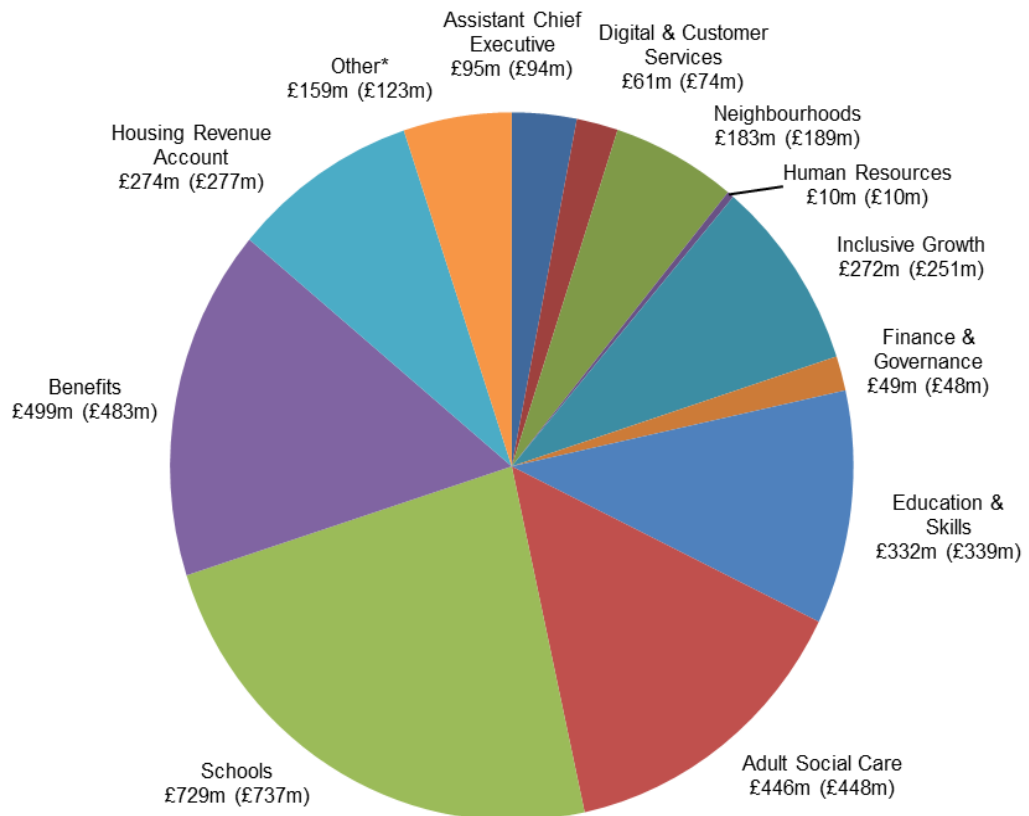
- 2.2 Notes that the report contains draft proposals for reducing cost and generating income that amount to £5.532m in 2020/21;
- 2.3 Notes that the Executive's budget proposals for consultation are based on the assumptions detailed within the MTFS and Central Government announcements on 4 September 2019. This includes a Council Tax increase of 3.99%, 1.99% under general powers to increase Council Tax without a referendum and 2.00% Social Care Precept;
- 2.4 Notes that the Cabinet's initial budget proposals will impact on staffing and that consultation will be undertaken in line with legislation and the Council's agreed processes before proposals are implemented.
- 2.5 Notes that the Consultation Document will be considered by Coordinating Overview and Scrutiny Committee on 6 December 2019.

3 Background

- 3.1 The Council is a large and influential local and regional organisation managing the delivery of a vast range of services either directly or with partners. Its core purpose is to improve the quality of life for residents and effective financial management is key to this.
- 3.2 The MTFS focuses on determining the financial position for the period up to and including 2023/24 and takes into account major issues affecting the Council's finances, including international, national and regional economic influences as well as local factors and priorities. It identifies risks and looks to mitigate those risks through provisions within reserves and balances to ensure the council has adequate resources to cover the uncertainty and risk.
- 3.3 It provides the framework and assumptions for developing the overall budget, taking into account any unavoidable service pressures. The MTFS recognises the key role that financial resources play in the future delivery of services, and enabling the effective planning, management and delivery of those services. The MTFS is therefore key to the effective delivery of the Council's overall aims of achieving better budgetary control.
- 3.4 The chart below shows that the Council currently receives (2019/20 with 2018/19 figures in brackets) almost £3.1bn in income from income from Central Government Grants, Council Tax, Business Rates, Rents, and other Fees and Charges.



3.5 The chart below shows how this money is spent. In two areas, schools and benefit payments, money is simply passported through the Council. The Council also needs to include two separate plans: Housing (within the Housing Revenue Account) of £274m and the remainder (General Fund) being used to further deliver the Council’s outcomes and priorities.



- 3.6 It is important that Members are aware of the major financial challenges and opportunities and that they make informed decisions. The Council regularly revises its MTFs so that the financial position is clear for budget proposals to be drawn up for the forthcoming year. It is important for the Council to set out its budget proposals and emerging ideas for balancing the budget in the context of the MTFs over a four year period 2020/21 to 2023/24.
- 3.7 It is important to note commitments made by the City Council to balance its budget for 2020/21 without the use of reserves to meet ongoing spending pressures or the failure to deliver savings. This is an important principle for the City Council and is set out in the Council's Reserves Policy.
- 3.8 In order to meet the financial challenges and service pressures we face, total further savings (including those already in financial plans) of £81.568m are required to be delivered from the General Fund budget by 2023/24 to be sustainable – this represents around 10% of the total General Fund budget. So far the Council has identified £55.324m of savings to contribute towards this. The Council is developing a programme of modernisation with the aim of delivering better outcomes for citizens and improving the delivery of the Council priorities from a lower cost base.
- 3.9 The Cabinet wants to channel its resources towards agreed priority outcomes and to do this properly and transparently requires a different approach through aligning priorities more closely with available resources.

3.10 The outcomes of the consultation and Council’s response to this will inform the MTFs for the period from 1 April 2020 onwards. The consultation document seeks views on the proposed approach to addressing the financial challenges and building a financially sustainable future.

3.11 The Council’s Vision is to be a city of growth where every child, citizen and place matters. This Vision and the Council’s priorities were incorporated in the Birmingham Council Plan: 2018-2022, updated in July 2019, and this document set out the Council’s priorities and key measures by which success will be measured.

Outcome	Why is this important?
Birmingham is an entrepreneurial city to learn, work and invest in	We want a city that invests in its people, so that everyone can have opportunities to realise their potential through lifelong learning, skills and good jobs. We want to invest in the buildings and transport connections of our city to provide better places to live and work, and to enable businesses to prosper. HS2 will be a key milestone in the city’s development and we must make the most of this opportunity to boost our economy and key growth sectors, and enable our citizens to access employment.
Birmingham is an aspirational city to grow up in	We want to respond to our unique profile as one of the youngest cities in Europe to give all children from every background and community the best start in life, with a clear pathway to achieve success and realise their full potential.
Birmingham is a fulfilling city to age well in	We want citizens to live more active, longer, healthier and independent lives. We want to reduce social isolation so that people can make positive choices and take control of their wellbeing.
Birmingham is a great, clean and green city to live in	We want Birmingham to be a sustainable city of vibrant culture, flourishing neighbourhoods with good quality housing. A city with clean air, safe and clean streets and green spaces. We want to be a city where our citizens have pride in where they live, have a strong sense of belonging and a voice in how Birmingham is run.
Birmingham residents gain the maximum benefit from hosting the Commonwealth Games	Hosting the Commonwealth Games gives us a global stage to use the transformational power of sport and culture to project a positive image of our city, promote growth and provide a long-lasting legacy to the citizens of our city.
Birmingham is a city that takes a leading role in tackling climate change	Climate change is an urgent issue with a global reach that directly impacts upon Birmingham residents. We will work with our partners to tackle this issue to make Birmingham a city in which all of our residents, including those from our most deprived communities, can lead healthy, safe, fulfilling lives.

3.12 The Council will continue to invest in its priorities including services for its most vulnerable citizens, improving the efficiency and effectiveness of services delivered to Birmingham residents. However, given the constraints upon resources and the continuing increase in demand for statutory services such as social care and homelessness, the Council must rethink and redesign services to achieve modernised and integrated customer centric solutions that deliver better value for money to secure its financial sustainability in the medium to long term.

3.13 The Council, as with other local authorities across the country, is facing increased pressure as a result of rising demand for services at a time when its resources are not increasing at the same rate. Coupled with this, there has been growth in actual or forecast demand for a range of core services, including looked after children and homelessness.

3.14 At the same time, the Council faces the uncertainties of Brexit and its potential impact on the national and local economy; the need to respond to changing behaviours and the need to build resilient communities and improve access to our services. We must also take steps to reduce our costs by managing

services in more business like ways working with our partners to improve outcomes for residents.

- 3.15 The Council estimates that it needs to make further annual savings of £81.568m by 2023/24. In addition to the existing plans, we anticipate having to make extra annual savings of £43.956m between 2020/21 and 2023/24, £17.712m of which are described in the consultation document. If our assumptions around ongoing levels of grant prove to be too optimistic then we will have to identify further savings in addition to this.
- 3.16 The approach to medium term financial planning for the period 2020/21 and beyond has been based on the Council's Priorities and the key principles outlined below:
- The plan will be a reflection of the Council's priorities based on what the Council wishes to achieve;
 - Recurrent expenditure not being funded from non- recurrent resources (reserves);
 - Strong governance and assurance and accountability for delivery of service outcomes within budget;
 - Closer integration of capital and revenue budget planning.
- 3.17 The remainder of the report details the financial position facing the Council and the specific proposals put forward for consultation. These proposals are set out in Appendix 1.
- 3.18 These draft proposals will be used as the basis for consultation with a range of stakeholders including residents, businesses, trades unions and partners. Analysis on consultation feedback will be considered by the Cabinet before they finalise their budget proposals that will be recommended to Council on 25 February 2020 when it will set the budget.
- 3.19 The key assumptions for 2020/21 underpinning this budget consultation are:
- 3.19.1 A base council tax increase of 1.99%;
 - 3.19.2 An increase in the Social Care Precept of 2.00%, resulting in a total Council Tax increase of 3.99%;
 - 3.19.3 Corporate Grants received in 2019/20 will continue to be received at their current levels in 2020/21 and at 50% of current levels thereafter;
 - 3.19.4 The Council will receive additional new grants of £27.146m (in 2020/21 only) relating to social care and £1.200m relating to Homelessness is ongoing;
 - 3.19.5 Council Tax Income will total £371.817m;
 - 3.19.6 Business Rates and associated grant income will total £430.433m;
 - 3.19.7 Pressures of £151.112m will be funded;
 - 3.19.8 A cost of living pay award assumption of 2.5%;

3.19.9 Other general inflation increases (including income) of 2%; and

3.19.10 Increments will begin to be paid again in 2021/22 based on staff performance levels in 2020/21 in line with the collective agreement made with the Trade Unions in 2016.

4 Reserves and balances

4.1 To ensure proposals are considered in a full financial context, it is important to set out the expected position on Reserves and the General Fund Balance.

4.2 The Council has a number of reserves that have been set aside for specific reasons. These reserves can be split into two categories:

- Those required to be kept by statute or accounting guidance. For example, revenue grants reserve, school balances etc. These reserves can only be utilised for the purpose for which they have been set aside.
- Those set aside for a future event that has a high probability of occurring, for example the Highways PFI Reserve;
- Those useable reserves held for non-specific events that cannot yet be foreseen.

4.3 In closing the accounts for 2018/19, a view was taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk resulting in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside.

4.4 The table below shows the forecast position over the MTFs period in relation to reserves which are not held for specific purposes is as follows:

	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Invest to Save Reserve	25.6	10.9	14.6	21.3	26.3
Financial Resilience Reserve	57.5	53.0	46.6	42.6	41.2
General Balances	35.5	35.5	35.5	35.5	35.5
Total	118.6	99.4	96.7	99.4	103.0

4.5 The non-earmarked balances are forecast to be £118.6m at the end of 2019/20 assuming the year end position is balanced. If there was an underspend of £3.5m as forecast at Month 6, this balance would increase to £122.1m. The required level of balance is determined by assessing the level of risk the Council faces.

4.6 As demand for Council services is exceeding growth in funding sources, the level of risk is heightened. The assessed minimum balance will be reviewed for the MTFs update in February 2020, taking into consideration both risk and affordability.

5 Resourcing

- 5.1 Since April 2017, the West Midlands, including Birmingham City Council has been participating in a pilot scheme to retain 100% of the business rates collected locally in return for the cessation of Revenue Support Grant (RSG) from the Government. Together with income from Council Tax, these two sources of funding now account for more than 94% of the Council's net budget. It is vitally important that we focus on facilitating economic growth, growing both our Council Tax and Business Rates base and pursuing opportunities to grow local streams whilst maintaining robust financial management to contain spending within available resources.
- 5.2 The proposals in this consultation assume a combined general and Social Care Precept increase in Council Tax of 3.99% in 2020/21 and 1.99% in later years. As part of its 2019 Spending Round, the Government has indicated the extension of powers for Councils responsible for adult social care to raise additional Council Tax equivalent to 2% for a "Social Care Precept" in 2020/21. The Council has applied this additional charge for 2016/17 through to 2019/20, and will now consult on doing so for 2020/21. Over the five years, this will have generated additional funding of around £31m annually, to be used for adult social care. The Council carries out annual reviews of discounts being awarded for Council Tax such as Single Person Discounts and Student Exemptions, in order to ensure that everyone pays their fair share for the services provided by the Council. As such, improvements have been made to the forecast of the Council Tax taxbase including increases for the proposed implementation of additional empty homes premiums, in line with legislation, for long term empty properties that have been left empty for over five years with further premiums for those left empty for ten years or more. Growth in homes in Birmingham has also been included in current projections of Council tax income and is estimated at 3.6% over the four-year period.
- 5.3 During 2020 a proposal to review the amount of Council Tax Support awarded in future years will be drawn up. The proposal will be subject to extensive consultation and dependant on the outcome of the consultation changes may be made to the level of support awarded.
- 5.4 In respect of Business Rates, the Council continues its agreement with Government to Pilot 100% business rates retention locally. This means that all business rates generated in Birmingham remain locally to help provide services, providing a greater financial incentive to grow businesses.
- 5.5 Local Government finance is operating in a time of considerable uncertainty. From 2021/22 the Government intends to launch a nationwide scheme to retain 75% of business rates. This puts at risk a considerable amount of business rates income retained by the Council through its 100% Business Rates Pilot, estimated to be around £20m annually. The Government is also reviewing the way in which it allocated resources across local government, through its "Fair Funding Review", which could have a significant impact on the level of income

the Council retains. The outcome of this is also expected to be announced in time for implementation in the 2021/22 financial year.

5.6 In September 2019 the Government's Spending Round announced £1.5bn additional funding for social care in 2020/21 made up of:

5.6.1 £1bn additional grant funding – the Government's technical consultation assumes that the Council will receive £27m of this.

5.6.2 The ability to raise a Social Care Precept and increase council tax by 2% above the basic rate (assumed as part of this consultation)

5.7 The Government also confirmed that temporary social care grants received in 2019/20 will continue into 2020/21 worth £15.2m to the Council. Additional Homelessness grants of £54m have also been announced for 2020/21 of which the Council has estimated it may receive £1.2m. The announcement of these resources as part of a one year Spending Round causes considerable uncertainty in being able to forecast resources in the future.

5.8 The Government has not yet given any indications of the level of funding individual local authorities will receive in 2020/21. High level announcements have been made about local government funding as part of the Spending Round. Indicative figures relating to the Social Care Grant have been included within the Government's technical consultation document. However, provisional figures are not expected to be announced until December 2019, and so adjustments may need to be made in the light of this.

5.9 Overall, the Council's grants which can be used to support general expenditure are expected to increase by £24.856m when compared to 2019/20. However, there is considerable uncertainty after this, and planning assumptions assume a reduction of £5.071m by 2023/24 when compared to 2019/20 levels.

5.10 Significant areas of funding uncertainty for the Council include:

- The detailed implications of announcements made in the Chancellor's Spending Round;
- The detailed funding allocations for the Council for 2020/21;
- What level of resource will be available to local government from 2021/22 onwards;
- Whether the Council will continue as part of a 100% Business Rates Retention Pilot in 2021/22 and in particular, whether it will be able to retain its real terms growth since 2013/14 which resulted directly from the Pilot;
- The impact of a "fair funding" review being carried out by the Government on the distribution of local government funding – this is due to be implemented (at least in part) by 2021/22. The impact of this reform may not be known until late 2020 and could cause variations to our current assumptions.

Though the Government is yet to announce funding levels beyond 2019/20, the Council's current assumption is that:

- The settlement funding assessment (Top Up Grant and Government Business Rates Assumptions) in 2020/21 will remain unchanged, apart from inflationary increases;
- Social care grants received on a one-off basis in 2019/20 are now expected to continue into 2020/21; and
- Social care and homelessness grants announced as part of the Spending Round will be received in line with Government Technical Consultations or in similar proportions of the national announcements as they have been in previous years where no further information is available.

5.11 Table 2 below summarises the overall forecast financial position. If all the proposals included within this report were to be accepted, this would remove the forecast budget gap in 2020/21. Alternative savings will need to be identified for any proposals that are not accepted. Further budget proposals, including Modernisation proposals, will need to be developed during 2020/21 to close the forecast gap of £16.179m in 2021/22 rising to £26.244m by 2023/24.

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Changes in funding:				
Changes in corporate Government grants	(24.856)	7.725	7.149	5.071
Changes in Council Tax	(24.423)	(32.402)	(42.746)	(53.381)
Changes in Business Rates and related grants	12.923	3.407	(8.949)	(22.057)
Overall change in funding	(36.356)	(21.270)	(44.546)	(70.367)
Expenditure pressures:				
Pay and price inflation	20.683	40.238	62.344	83.035
New budget pressures	21.410	22.191	25.754	26.522
Other expenditure pressures	46.200	38.788	30.046	41.555
Total expenditure pressures	88.293	101.217	118.144	151.112
Movements in reserves *	(24.973)	(12.857)	(2.989)	0.823
Savings requirement	26.964	67.090	70.609	81.568
Savings in Financial Plan 2019-2023	(21.432)	(35.509)	(37.829)	(37.612)
New savings being consulted on	(5.532)	(15.402)	(15.517)	(17.712)
Other solutions to be determined	0.000	16.179	17.263	26.244
* Mainly reduction in contribution to reserves				

5.12 Following agreement by Cabinet, the proposals in this report will be subject to a 6 week public consultation, ending on 31st December 2019. Comments from the public will be invited at face-to-face meetings with the public and with businesses and via digital channels.

5.13 The responses from this consultation will inform the finalisation of the Council's budget for consideration by Council in February 2019.

6 Options considered and Recommended Proposal

- 6.1 The proposals in the attached draft budget consultation document reflect the evaluation of alternative options for balancing the General Fund budget for 2020/21, and in setting the financial strategy in the medium term. The purpose of this consultation is, however, to invite the public and partners to consider these savings proposals, provide feedback and, if they wish, make alternative suggestions.
- 6.2 Alternative options for revenue spending and MTFs assumptions form an integral part of the development of the overall MTFs that will be considered at the Council budget setting meeting on 25 February 2020. The current set of assumptions contained within this report will be reviewed on a regular basis but represent the most up to date information available at this time.
- 6.3 The proposals presented in this report represent the Cabinet's draft budget for the period 2020/21 – 2023/24. Of these, some proposals for 2020/21 to 2023/24 may also require further specific consultation with service users. In addition, there are a number of variables and alternative options that could be implemented as part of the budget. Table 3 below summarises the draft savings proposals by Directorate:

New Savings by Directorate

Directorate	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Education & Skills	(0.397)	(0.447)	(0.447)	(0.447)
Digital & Customer Services	(2.100)	(4.320)	(2.935)	(3.630)
Finance & Governance	(3.000)	(4.500)	(6.000)	(7.500)
Human Resources	(0.035)	(0.035)	(0.035)	(0.035)
Sub Total	(5.532)	(9.302)	(9.417)	(11.612)
Children's Trust	-	(6.100)	(6.100)	(6.100)
Total	(5.532)	(15.402)	(15.517)	(17.712)

7 Consultation

- 7.1 Cabinet Members, Directors, the Interim City Solicitor, Director of Human Resources, Director of Public Health and Assistant Director (Communications) have been consulted in the preparation of proposals set out in this report.
- 7.2 The draft document attached as an Appendix to this report will form the basis of public consultation on the overall budget proposals. This will be complemented, where appropriate, by consultation with stakeholders and staff on individual savings proposals.

8 Risk Management

- 8.1 The inability to deliver a balanced budget is one of the Council's main corporate risks. The proposals within this report are aimed to try to mitigate this risk.

8.2 All budget proposals contain an element of risk. Whilst the Council has delivered a substantial amount of savings over the past nine years, the following represents some of the key areas of risk:

- Delivery of the savings programme – the delivery of agreed savings proposals will need to be effectively managed and monitored to ensure that they are delivered in practice. A governance framework using the PMO model will be introduced to create greater rigour in delivery of the savings programme and also monitor the savings programme in greater detail. The savings programme will continue to be monitored robustly and reported to senior management and Members so that they are kept up to date with the progress of savings delivery
- Demand – It is possible that demand for the Council’s services will exceed the assumptions that underpin the financial plans. Any budgetary pressures will be reported as part of the monitoring process and reported to Members. As far as possible, mitigations will be found to offset an
- Reputation – If stakeholder engagement is not managed effectively, the need for the Council to make changes to drive service improvements and drive out the associated savings will not be understood.

8.3 Prior to setting the budget in February 2020 an assessment of the adequacy of reserves held by the Council will be undertaken. This will be contained within the Budget Documents considered by Council.

9 Compliance Issues:

9.1 How are the recommended decisions consistent with the City Council’s priorities, plans and strategies?

9.1.1 The Council will continue to be faced with resource constraints over the medium term, which will have an impact on service delivery. The financial proposals set out in the attached consultation document have been formulated in the context of the Council’s policy priorities. In this way, these proposals are aligned to existing policy priorities.

9.2 Legal Implications

9.2.1 The Local Government Finance Act 1992 (as amended) requires local authorities to calculate their Council Tax requirement, after having regard to all items of income and expenditure for the forthcoming year and, after taking account of the principles set out by the Government, to determine whether a referendum is required on the proposed Council Tax increase. In practice, therefore, this means that a local authority must set a balanced budget for the forthcoming financial year, in this case 2020/21.

9.2.2 Section 25 of the Local Government Act 2003 requires that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance Officer (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. The setting of the budget is a function reserved to Full Council who will consider the draft budget which has been prepared by the Executive.

- 9.2.3 If budget proposals result in decommissioning or re-shaping services, then the law will either require specific statutory responsibility to consult on those proposals or the common law will impose an obligation to consult. A further consultation obligation is likely to arise in some cases because the Council's proposals require it to comply with or meet the objectives of the **Public Sector Equality Duty (PSED) arising under 149 Equality Act 2010**.
- 9.2.4 The PSED imposes on the Council an obligation to have 'due regard' as to what is appropriate in all the circumstances in achieving its desired outcomes. In setting the budget, the Council and individual councillors should consider the issue of discrimination before making any policy decisions that may be affected by such an issue.
- 9.2.5 In the absence of an express duty to consult, whether or not the service is a statutory service, the common law will impose an **enforceable legitimate expectation of doing so** where:
- a) There has been a promise to consult; or
 - b) There has been an established practice of consultation; or
 - c) Failure to consult would lead to conspicuous unfairness.
- 9.2.6 Subject to the overall requirements of fairness, a public authority usually has a broad discretion as to how a consultation exercise should be carried. Consultation should provide for interested organisations, service users, and wider community to put forward options on how to reshape the service or project and Councillors before making policy decisions and setting the budget should have 'due regard' as to the likely impact of these proposals on these interested parties.
- 9.2.7 In addition, **Section 3 Local Government Act 1999**, imposes an obligation on local authorities to consult widely in order to determine how the Best Value duty should be fulfilled when decommissioning or re-shaping services.
- 9.2.8 Subject to the overall requirements of fairness, a public authority usually has a broad discretion as to **how** a consultation exercise should be carried out. However the courts will now expect the following criteria to have been followed:
- Consultation must be at a time when proposals are still at a formative stage.
 - Sufficient information must be given to those impacted to permit intelligent consideration and response; and

- Adequate time must be given for this purpose; and
- The results of the consultation must be conscientiously taken into account in finalising decisions by decision makers.

9.3 Financial Implications

- 9.3.1 The proposals within this report are primarily concerned with financial matters. They reflect the organisational changes that the Council will need to take in order to respond to expenditure pressures, future uncertainties around resources and increases in demand for some core services.
- 9.3.2 The proposals attached, if adopted, will set out the revenue resources within which services must be managed during 2020/21. Final decisions on budget allocations will be taken at the City Council meeting on 25th February 2020.
- 9.3.3 The main method for people to give their views on the budget proposals will be through digital methods, and therefore costs will be minimised. These costs, along with any specific costs of running engagement sessions, will be met from existing budgets.

9.4 Human Resources Implications (if required)

- 9.4.1 The size of the revenue gap means that the Council will have to find new ways of working, will change the nature of services provided and will change the way the Council works in order to meet the existing challenges. Reduction in employee numbers is inevitable and appropriate assumptions have been made as part of the existing and new savings programmes. However, proposals made are subject to appropriate staff and trade union consultations.

9.5 Public Sector Equality Duty

- 9.5.1 Each service area is required to undertake the Councils Equality Analysis on each of the budget proposals, and to have 'due regard' to their duties under the Equality Act 2010 before a policy decision is taken by both Full Council in February 2019 and before a decision to implement that policy is then taken by Cabinet/Cabinet Member/Corporate Director which might affect those with relevant characteristics.
- 9.5.2 Further equality implications will need to be considered alongside existing and continuing consultations on specific service change proposals.

10 Appendices

10.1 Appendix A – Budget Consultation 2020/21 – 2023/24