

Public Report

Birmingham City Council

Report to Cabinet

12 February 2019



Subject: FINANCIAL PLAN 2019 – 2023

Report of: Chief Finance Officer

Relevant Cabinet Member: Councillor Ian Ward, Leader of the Council

Relevant O &S Chair(s): Councillor Sir Albert Bore

Report author: Steve Powell, Assistant Director (Corporate Finance)

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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 006013/2019		
Is the decision eligible for call-in?	<input type="checkbox"/> Yes	<input checked="" 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** To consider the draft Financial Plan 2019 - 2023 for recommendation to the City Council.

2 Recommendations

Cabinet agrees to:

- 2.1** Recommend the attached draft Financial Plan 2019 - 2023 for consideration by the City Council on 26 February 2019.

- 2.2 Delegate authority to the Chief Finance Officer, in consultation with the Leader, to make amendments or corrections to the draft Financial Plan 2019 - 2023 as detailed in section 3.3.

3 Background

3.1 Council Financial Plan

- 3.1.1 The draft Financial Plan (Appendix 1) sets out the Council's medium-term financial strategy for the next four years, which is based on the following core principles:

- Allocating resources so that they are more closely aligned to key priority areas and areas of need
- Ensuring that the Council sets a balanced budget for 2019/20, plans for one in the medium term and that its long term financial health and viability remains sound
- Ensuring that capital investment plans are set at an affordable and sustainable level
- Reducing the Council's reliance on Government funding through the use of fees, charges and taxation that are in line with levels that the Council regard as being necessary, acceptable and affordable
- Protecting the Council's reserves – in line with its Reserves Policy - for 'rainy day' events and not seeking to use them to meet ongoing pressures or where savings have not been achieved
- Ensuring that there is strong governance, assurance and accountability for delivery of service outcomes and savings proposals within budget
- Mitigate against uncertainty – in the near and medium term

- 3.1.2 The revenue budget proposals included a balanced budget throughout the four year period, without the need to use reserves other than for specific approved purposes. The size of the capital programme means that, over the medium-term, new borrowing for normal service delivery will be at a level which is close to the amount which is set aside each year for debt repayment. The Treasury Management Strategy and Policy set out arrangements for a balanced approach to managing the Council's debt portfolio, and a financial investment strategy which seeks to minimise risks. The newly required Service and Commercial Investment Strategy sets out the framework within which support to the Birmingham economy and the generation of income can be managed.

- 3.1.3 The revenue budget proposals include further savings of £85m over the four-year period to ensure that the budget can be balanced.

- 3.1.4 The budget proposals are based upon a general Council Tax increase of 2.99% in 2019/20. In addition, it is proposed that the City Council will increase Council Tax by a further 2% through the Social Care Precept, making an overall Council Tax increase of 4.99%. This increase will not require a referendum as it is below

the threshold set by the Government for 2019/20. Money raised from the Social Care Precept will be invested in adult social care services.

- 3.1.5 The revenue resource position set out in Chapter 2 of the draft Financial Plan is based on the Final Local Government Finance Settlement announced on 29 January 2019, and takes account of other information from Government on grant calculations.

3.2 *Levies & Precepts*

- 3.2.1 The Transport Levy and contribution towards other costs of the West Midlands Combined Authority are included within the Council's revenue budget. These amounts are due to be approved by the WMCA Board on 8 February 2019. The Environment Agency levy has not yet been notified to the Council.
- 3.2.2 The Motions to the City Council concerning overall Council Tax levels include the amounts for the various precepts. These are as follows, including details for the actual or expected dates of decisions:
- Fire & Rescue Authority - 18 February 2019
 - Police and Crime Commissioner – 7 February 2019
 - New Frankley in Birmingham Parish Council – 17 December 2018
 - Royal Sutton Coldfield Town Council – 19 December 2018
- 3.2.3 To the extent that figures are already known, these have been included in the draft Financial Plan. Others are expected to be added in time for consideration of the document by the City Council on 26 February 2019.

3.3 *Amendments*

- 3.3.1 It is recommended that authority is delegated to the Chief Finance Officer, in consultation with the Leader, to amend the attached draft Plan to take account of, and limited to, the following:
- any amendments agreed at or as a result of this Cabinet meeting on 12 February 2019; and
 - the impact of decisions as set out in section 3.2 above; and
 - any non-material corrections/changes to enable the production of a final version of the Financial Plan 2019 - 2023 document for consideration at the City Council meeting on 26 February 2019.

4 Options considered and Recommended Proposal

- 4.1 The Council must approve a budget and Council Tax level in order to identify resources for the provision of its services. Certain other decisions are also required by statute or in accordance with statutory guidance. The draft Financial Plan (which includes the detailed budget) is the product of the careful evaluation of budgetary needs and policy priorities.

4.2 The Motions to the City Council meeting on 26 February 2019 will cover the following specific aspects:

- Revenue budget 2019/20
- Council Tax requirement
- Council Tax 2019/20 (by band)
- Capital programme
- Treasury management strategy
- Treasury management policy
- Prudential Indicators
- Flexible use of capital receipts strategy
- Service and commercial investment strategy and indicators
- Pay policy statement
- New scale of fees and charges

5 Consultation

5.1 *Internal*

5.1.1 The “Budget Consultation 2019+” document, which set out the Council’s financial plans for 2019 onwards has received widespread publicity. Consultation with the Trades Unions has been taking place corporately. In addition, consultation with staff and Trades Unions has been led by directorates in relation to individual budget proposals.

5.2 *External*

5.2.1 The new individual savings proposals were set out in a corporate budget consultation document, “Budget Consultation 2019+”, which was published on 13 November 2018. There was also a public meeting in order to allow people to find out more, and to offer their views on the proposals. There has also been the opportunity for people to respond electronically and in writing. The City Council has promoted the use of social media in order to encourage further involvement from the citizens of Birmingham. An overview of the responses received as part of the consultation process is set out in the draft Financial Plan, and the full report is appended to this report (Appendix 2) and is available via the Council’s website.

5.2.2 The consultation on the Council’s financial plans will be complemented, where appropriate, by directorate-based consultation with the general public and service users on individual proposals so that no new service specific proposal (as identified in Appendix E of the draft Financial Plan) will be implemented until the requisite public sector equality duty or other statutory consultation has taken place, that decision makers have had ‘due regard’ to issues arising from this equality process and the necessary governance process has been completed.

5.2.3 Changes to original proposals set out in the Budget Consultation 2019+ document, which have been made in the light of consultation responses, are summarised in Section 14.8 of Chapter 3 in the draft Financial Plan.

6 Risk Management

- 6.1** An assessment of, and arrangements for, the management of the Council's principal budget risks is set out in section 22 of Chapter 3 of the draft Financial Plan.

7 Compliance Issues:

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

- 7.1.1** The draft Financial Plan represents a key element of the Council's Policy Framework and articulates the policy and planning approach for the City Council.
- 7.1.2** Proposals in the draft Financial Plan, both in relation to extra investment in services and also savings, have been developed in the light of the City Council's priorities.

7.2 Legal Implications

- 7.2.1** A Council Plan and Budget is an important element in our Policy Framework, as set out in the Local Government Act 2000.
- 7.2.2** The Council must set a balanced revenue budget and Council Tax in accordance with the requirements of the Local Government Finance Act 1992, as amended by the Localism Act 2011. These, together with the Capital Programme and Treasury Management Strategy and Policy, are key components of the Policy Framework which must be approved by the Council. These then set the resource framework and limits within which services must be delivered.

7.3 Financial Implications

- 7.3.1** The draft Plan itself sets out the financial implications for the City Council. It also includes identification of risks and reserves that can be used as a contingency if required.

7.4 Procurement Implications (if required)

- 7.4.1** The implementation of individual proposals set out in the draft Financial Plan will need to be managed in accordance with the appropriate procurement governance arrangements.

7.5 Human Resources Implications (if required)

- 7.5.1** The overall implications for the reduction in the number staff is summarised in section 11.1 of Chapter 3 of the draft Financial Plan. The document also includes the Pay Policy Statement, for which City Council approval is required.

7.6 Public Sector Equality Duty

- 7.6.1 An initial Equality Analysis (EA) of the new service specific proposals as set out in the draft Financial Plan has either been undertaken where appropriate, or is on-going. A copy of the assessments is available via the Council's website, and an overview report is appended to this report (Appendix 3). Where necessary, mitigations and the availability of alternatives have been and are being evaluated in order that the Council can fulfil its Public Sector Equality Duty.
- 7.6.2 Further consultation is on-going or is planned, and the full EA for service specific decisions will be considered before decisions are taken and implemented.
- 7.6.3 The draft Financial Plan sets out individual resource allocations. These may need to be revised in the light of the on-going and further planned consultations and equalities assessments on individual savings proposals.

8 Background Documents

- 8.1.1 Budget Consultation 2019+, approved by the Cabinet on 13 November 2018
- 8.1.2 City Council Plan 2018 – 2022, approved by the Cabinet on 26 June 2018