

Template to Accompany any Late Reports

PUBLIC REPORT

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| Report to: | CABINET |
| Report of: | Corporate Director Finance & Governance |
| Date of Decision: | 13 February 2018 |
| SUBJECT: | COUNCIL PLAN AND BUDGET 2018+ |
| Key Decision: Yes | Relevant Forward Plan Ref: 004835/2018 |
| If not in the Forward Plan: (please "X" box) | Chief Executive approved <input type="checkbox"/> O&S Chair approved <input type="checkbox"/> |
| Relevant Cabinet Member(s) or Relevant Executive Member: | Councillor Ian Ward, Leader of the Council |
| Relevant O&S Chair: | Councillor Mohammed Aikhlaq |
| Wards affected: | ALL |

REPORT

*** To be completed for all late reports, ie. which cannot be despatched with the agenda papers ie. 5 clear working days' notice before meeting.**

Reasons for Lateness

The finalisation of budget figures is dependent upon the Final Local Government Finance Settlement, which was not announced until 6 February 2018.

Reasons for Urgency

A local authority must, by law, approve its budget and Council Tax Requirement before 11 March prior to the start of each financial year. Therefore, the City Council's budget must be considered at this Cabinet meeting, in order for it to be referred to the City Council meeting on 27 February 2018.

BIRMINGHAM CITY COUNCIL

PUBLIC

Report to: **CABINET**

Report of: **Corporate Director Finance & Governance**

Date of Decision: **13 February 2018**

SUBJECT: **COUNCIL PLAN AND BUDGET 2018+**

Key Decision: Yes **Relevant Forward Plan Ref: 004835/2018**

If not in the Forward Plan: **Chief Executive approved** ☐
(please "X" box) **O&S Chair approved** ☐

Relevant Cabinet Member(s) or Relevant Executive Member: **Councillor Ian Ward, Leader of the Council**

Relevant O&S Chair: **Councillor Mohammed Aikhlaq**

Wards affected: **ALL**

1. Purpose of report:

- 1.1 To consider the draft Council Plan and Budget 2018+ (the draft Plan) for recommendation to the City Council.
- 1.2 To consider the proposed approach to the schools funding formula, ensuring that the authority meets the national deadline of 28 February 2018 by which to issue to primary and secondary schools their budgets for 2018/19.
- 1.3 To consider the application of the West Midlands Combined Authority to be granted powers to raise a Supplementary Business Rate.

2. Decision(s) recommended:

Cabinet agrees to:

- 2.1 Recommend the attached draft Council Plan and Budget 2018+ for consideration by the City Council on 27 February 2018.
- 2.2 Delegate authority to the Corporate Director, Finance & Governance, in consultation with the Leader, to make non material amendments or corrections to the draft Council Plan and Budget 2018+ as detailed in paragraph 5.7.
- 2.3 Give consent to the adoption by the West Midlands Combined Authority of the power to raise a Supplementary Business Rate.
- 2.4 Support the move to implement the National Funding Formula for Reception to Year 11 provision from 2018/19 – with the exception of 2 funding factors where local flexibility is still required.

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3. Consultation:

3.1 Internal

3.1.1 The “Budget Consultation 2018+” document which set out the Council’s financial plans for 2018 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.

3.2 External

3.2.1 The new individual savings proposals were set out in a corporate budget consultation document, “Budget Consultation 2018+”, which was published on 12 December 2017. 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 to the consultation process are set out in the draft Plan.

3.2.2 The consultation on the Council’s financial plans will be complemented 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 6 of the draft 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.

3.2.3 Changes to original proposals set out in the Budget Consultation 2018+ made in the light of consultation responses are summarised in Section 11 of Chapter 3 in the draft Plan.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council’s policies, plans and strategies?

4.1.1 The draft Plan represents a key element of the Council’s Policy Framework and articulates the policy and planning approach for the City Council.

- 4.1.2 Proposals in the draft Plan, both in relation to extra investment in services and also savings, have been developed in the light of the City Council's priorities.

4.2 Financial Implications

- 4.2.1 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.

4.3 Legal Implications

- 4.3.1 A Council Plan and Budget is an important element in our Policy Framework, as set out in the Local Government Act 2000.
- 4.3.2 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.

4.4 Public Sector Equality Duty

- 4.4.1 An initial Equality Analysis (EA) of the new service specific proposals as set out in the draft Plan has either been undertaken where appropriate, or is on-going. 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.
- 4.4.2 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.
- 4.4.3 The draft 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.

5. **Relevant background/chronology of key events:**

Council Budget

- 5.1 The draft Plan contains a 2018/19 revenue budget, together with financial forecasts and a capital programme for 2018/19 – 2021/22 and a 10 year Long Term Financial Plan.
- 5.2 The draft Plan is put forward to achieve the necessary level of savings whilst continuing to enable priority services and support to residents and businesses to continue. The detailed financial plans and budgets are summarised and changes from 2017/18 are explained.
- 5.3 The budget proposals are based upon a general Council Tax increase of 2.99% in 2018/19. In addition, it is proposed that the City Council will increase Council Tax by further 1% through the Social Care Precept, making an overall Council Tax increase of 3.99%. This increase will not require a referendum as it is below the threshold set by

the Government for 2018/19. Money raised from the Social Care Precept will be invested in adult social care services.

- 5.4 The revenue resource position set out in Chapter 2 of the draft Plan is based on the Final Local Government Finance Settlement announced on 6 February 2018, and takes account of other information from Government on grant calculations.
- 5.5 The proposals in the draft Plan include a change to the City Council's Minimum Revenue Provision (MRP) policy, to be effective from the 2017/18 financial year.

Precepts

- 5.6 The Fire & Rescue Authority meets on 19 February 2018 to approve its precept for 2017/18 and the Police and Crime Commissioner's budget and precept were approved on 5 February 2018. The New Frankley in Birmingham Parish Council met on 18 December 2017 to approve its precept. The Royal Sutton Coldfield Town Council met on 13 December 2017 to approve its precept. The West Midlands Combined Authority was due to approve its budget and Transport Levy at its meeting on 9 February 2018. The amount of the Environment Agency Levy has not yet been finalised. The appropriate information will be incorporated into the final version of the Council Plan and Budget 2018+, for the meeting of the City Council on 27 February 2018.

Amendments

- 5.7 It is recommended that authority is delegated to the Corporate Director Finance & Governance, in consultation with the Leader, to amend the attached draft Plan to take account of, and limited to, the following:
- a) any amendments agreed at or as a result of this Cabinet meeting on 13 February 2018; and
 - b) the impact of decisions as set out in paragraphs 5.6 above, and
 - c) any non-material corrections/changes to enable the production of a final version of the Council Plan and Budget 2018+ document for consideration at the City Council meeting on 27 February 2018.

Schools Funding Formula

- 5.8 The DfE is planning to implement from 2020/21 a National Funding Formula (NFF), to allocate DSG funding to Primary and Secondary Schools for their Reception to Year 11 provision to ensure consistency and transparency of funding across the country (Early Years and Special Educational Needs providers have separate DSG formula funding arrangements). In doing so, the plan is to remove the flexibility for local authorities to use their own local formula (albeit they are heavily prescribed by national statutory regulations). Deferring national implementation to 2020/21 is to allow authorities the time to prepare and to minimise financial turbulence. However authorities that wish to implement the NFF from April 2018 can do so and this is something that the DfE are encouraging.
- 5.9 In Birmingham's case the 2018/19 DSG allocation has been sufficient to allow us to avoid financial turbulence by implementing the NFF from April 2018, with the exception of two funding factors within the NFF (business rates and the fixed sum payable to all schools) where we still intend to apply local flexibility; in the case of business rates to take account of the 2018/19 figures and to apply a higher fixed sum than provided for in the NFF. The DfE recognise that the application of the NFF could generate budget

variations for schools (both positive and negative), the scale of which will vary between authorities. Therefore the NFF allows authorities to apply a minimum per pupil funding guarantee. The City Council has been able to provide for a further 0.5% per pupil increase (the maximum allowable under the DfE's September 2017 announcement).

The statutory Schools Forum for Birmingham is supportive of the adoption of the NFF from 2018/19 as were the majority of schools who responded to the consultation. Immediate implementation would also avoid confusion from schools who would otherwise be comparing Birmingham's local formula with the NFF. In addition it would minimise any impact when the NFF is mandatory from 2020/21.

Mayoral Powers to Raise a Supplementary Business Rate

- 5.10 The £8 billion Investment Programme, agreed as part of the first Devolution Deal for the West Midlands, assumed a variety of funding streams. One of these was through raising a Supplementary Business Rate. It was initially intended by Central Government that elected Mayors of Combined Authorities would be able to raise funding of up to an additional 2% on business rates to fund infrastructure investment through a new power contained in the draft Local Government Finance Bill of 2016/17. However, around the time of the General Election in 2017, the Bill fell.
- 5.11 Following discussions with Government, it has now been confirmed that it intends to give to Mayoral Combined Authorities the equivalent powers to those currently available to Local Authorities to raise a Supplementary Business Rate. The current powers available to Local Authorities are similar to those proposed in the Local Government Finance Bill that has now fallen, but differ in two key respects:
- A ballot of businesses, with a majority vote in favour, is required in order to proceed,
 - Businesses with a rateable value of less than £50,000 would not be required to pay, rather than exemptions being a matter for a local scheme/proposal.
- 5.12 For the West Midlands Combined Authority to acquire the relevant powers, the Government requires all Constituent Local Authorities to consent to the powers being applied. Should this not be approved then a significant risk may exist to the funding and delivery of schemes contained within the Investment Programme that are dependent on funding generated by the West Midlands Combined Authority.
- 5.13 Following the receipt of the necessary consents, the Ministry of Housing, Local Government and Communities intends to seek Parliamentary approval to make an order under the Local Democracy, Economic Development and Construction Act 2009 as amended by the Cities and Local Government Devolution Act 2016. This order will provide for the power to raise funding through a business rates supplement under the Business Rates Supplement Act 2009 to be conferred on the Combined Authority. The order will also provide that the power when conferred will be exercised by the Mayor only.
- 5.14 Following receipt of the necessary powers, the Combined Authority will need to decide how to best implement the Supplementary Business Rate scheme. This will be subject to a further paper to the West Midlands Combined Authority Board later in 2018, along with intensive and detailed work with Constituent Authority Members and local businesses.

6. Evaluation of alternative option(s):

- 6.1 The Council must approve a budget and Council Tax level in order to identify resources for the provision of its services. The draft Plan (which includes the detailed budget) is the product of the careful evaluation of budgetary needs and policy priorities.
- 6.2 The City Council is free to continue with its own local scheme for the calculation of school funding allocations. However, this has not received the support of the Schools Forum, and change to the national funding formula will be required by 2020/21 in any case.
- 6.3 Should the City Council not consent to the acquisition by the Mayor of the powers to raise a Supplementary Business Rate, then that power could not then be granted by Government, and there would then be risks to the affordability of some of the Combined Authority's £8bn Investment Programme

7. Reasons for Decision(s):

- 7.1 The attached draft Plan proposals satisfy the requirements for setting a budget for the City Council, and the Council Tax for the coming year, together with the related decisions required under the Localism Act 2011.
- 7.2 To endorse the adoption of the National Funding Formula for schools.
- 7.3 To endorse the acquisition of the West Midlands Combined Authority of powers to raise a Supplementary Business Rate.

Signatures

Date

Cllr Ian Ward
Leader of the Council

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Clive Heaphy
Corporate Director Finance & Governance

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List of Background Documents used to compile this Report:

1.

List of Appendices accompanying this Report (if any):

1. Draft Council Plan and Budget 2018+

Report Version 5

Dated 1st February 2018

Equality Act 2010

The Executive must have due regard to the public sector equality duty when considering Council reports for decision.

The public sector equality duty is as follows:

- 1 The Council must, in the exercise of its functions, have due regard to the need to:
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 2 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 3 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- 4 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - (a) tackle prejudice, and
 - (b) promote understanding.
- 5 The relevant protected characteristics are:
 - (a) marriage & civil partnership
 - (b) age
 - (c) disability
 - (d) gender reassignment
 - (e) pregnancy and maternity
 - (f) race
 - (g) religion or belief
 - (h) sex
 - (i) sexual orientation