

**BRISTOL CITY COUNCIL**  
**RESOURCES SCRUTINY COMMISSION**

**22 February 2013**

**Report of:** Peter Robinson – Service Director, Finance

**Title:** **Medium Term Financial Strategy**

**Ward:** **City Wide**

**Officer Presenting Report:** Peter Robinson – Service Director, Finance

Contact Telephone Number: (0117) 922 2419

**Purpose of the report: To set out the principles and current thinking on the Council's medium term financial strategy.**

**RECOMMENDATION:**

1. Members give their views on the principles and planning process for the Medium Term Financial Strategy (MTFS).

**Summary**

2. This report sets out current principles and thinking on the Council's financial strategy and timescales.

**Background**

3. Bristol elected their first Mayor in November, 2012. Given lack of time to prepare a financial plan for his electoral term he agreed to prepare a one year budget for 2013/14. Following agreement of the 2013/14 budget work will start on preparing a MTFS for the remainder of the electoral term, 2014/15 to 2016/17.

**Principles**

As part of its MTFS the council will determine :

- A forecast of available revenue and capital resources – the budget Envelope;

- A Strategy and approach to delivering priorities within these resources;
- Specify where individual policies need to change to achieve the strategy;
- Operational delivery plans and service budgets.

The proposed draft principles that would underpin the MTFS together with the current forecast of available resources are set out below -

- Enhancing efficiency as far as possible to secure the best value for money;
- Targetting our resources to those areas that have the biggest impact to outcomes and the Mayor's priorities – the right service model;
- Examining all delivery options, including partnerships, social enterprise, internal and external providers to ensure the best provider is secured;
- Testing end to end service provision to ensure services are truly joined up and fully costed, including mitigation of unintended consequences of change;
- A one council approach to the budget, including the assessment of ring fenced grant funding and its full integration into service delivery, e.g. Public Health;
- The construction of the budget around the design of services as opposed to the historic, incremental budget setting processes.

### **Budget envelope**

1. The Council, like all local authorities faces a significant financial challenge over the next four years. The Comprehensive Spending Review (CSR) which determines the funding available nationally for Local Authorities, reflects the national economic position and the 2010 CSR had envisaged that the public sector deficit would be significantly reduced by the end of the CSR period in 2014/15. This is not materialising as quickly as forecast and the Government has set out plans to make further reductions in grant to Local Authorities. Estimated resources over this period have been determined on this basis.
2. The current forecast indicates that by 2016/17 the Council will need to address a funding deficit of £65m assuming all savings agreed as part of the 2013/14 budget are delivered. The forecast is based on the following assumptions and information -

- The Revenue Support grant, business rate tariff and settlement grants for 2013/14 and 2014/15 as set out in the final settlement published on 4th February, 2013;
- Funding beyond 2014/15 is consistent with the Chancellor's statements that austerity will continue to 2017/18 at broadly the same pace as current CSR predictions (which averages 5% cash cuts p.a.);
- Future capital allocations and grants in line with the 13/14 allocation;
- Increase in Council Tax of 2% each year with 0.5% increase in the base;
- Limited increase in Business Rate growth, with an assumed 3% RPI per annum increase;
- The annual cost of the pension deficit, following actuarial valuation will increase costs by £4m;
- 2% pay-award in 2014/15, 2015/16 and 2016/17;
- Zero increase in supplies, 2.5% on contracts;
- Savings from change programmes are applied to repay one-off costs before reducing future spending;
- No additional prudential borrowing.

## **Approach**

Following the proposed Spring Conference in May, "What is Local Government for" hosted in Bristol which will give a state of current thinking across Local Government a detailed budget review will be undertaken in the Summer.

Views of Members will be taken through the Scrutiny process leading to an integrated MTFs and budget for the period 2014/15 – 2016/17 in February 2014.

## **Consultation and scrutiny input:**

- a. **Internal consultation:**  
Strategic Director of Corporate Services
- b. **External consultation:**  
Not applicable

## **Other options considered:**

No other options are considered prudent at the present time.

## **Risk management / assessment:**

## **Public sector equality duties:**

There are no proposals in this report which require either a statement as to the relevance of public sector equality duties or an Equalities Impact Assessment.

## **Environmental checklist / eco impact assessment**

Not applicable.

## **Resource and legal implications:**

- a. Finance  
As set out in the report.
- b. Legal implications:  
None sought.
- c. Land / property implications:  
Not applicable.
- d. Human resources implications:  
Not applicable.

## **Access to information (background papers):**

Relevant working paper files in Finance Division.