

Summons to attend meeting of Full Council



Date: Tuesday, 17 December 2019

Time: 2pm

Venue: The Council Chamber - City Hall, College Green,
Bristol, BS1 5TR

To: All Members of Council

Members of the public attending meetings or taking part in Public forum are advised that all Full Council meetings are now filmed for live or subsequent broadcast via the Council's [webcasting pages](#). The whole of the meeting is filmed (except where there are confidential or exempt items) and the footage will be available for two years. If you ask a question or make a representation, then you are likely to be filmed and will be deemed to have given your consent to this. If you do not wish to be filmed you need to make yourself known to the webcasting staff. However, the Openness of Local Government Bodies Regulations 2014 now means that persons attending meetings may take photographs, film and audio record the proceedings and report on the meeting (oral commentary is not permitted during the meeting as it would be disruptive). Members of the public should therefore be aware that they may be filmed by others attending and that is not within the Council's control.

City Hall has a water fountain by the Council Chamber. You are invited to bring a reusable receptacle as there are no plastic cups.

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Date: Friday, 6 December 2019



Agenda

1. Welcome, Introductions and Safety Information

(Pages 5 - 6)

2. Apologies for Absence

3. Declarations of Interest

To note any declarations of interest from the Councillors. They are asked to indicate the relevant agenda item, the nature of the interest and in particular whether it is a **disclosable pecuniary interest**.

Any declarations of interest made at the meeting which is not on the register of interests should be notified to the Monitoring Officer for inclusion.

4. Minutes of the previous meeting ~ 12th November 2019

(Pages 7 - 11)

5. Lord Mayor's Business

6. Public Forum (Public Petitions, Statements and Questions)

Please note: Up to 30 minutes is allowed for this item. Public forum items should be e-mailed to democratic.services@bristol.gov.uk

Public forum items can be about any matter the Council is responsible for or which directly affects the city.

Please note that the following deadlines apply to this meeting:

a. Public petitions and statements: Petitions and written statements must be received by **12 noon on Monday 16 December 2019** at latest. One written statement per member of the public is permitted.

b. Public questions: Written public questions must be received by **5pm on Wednesday 11 December 2019** at latest.

A maximum of 2 questions per member of the public is permitted. Questions should be addressed to the Mayor or relevant Cabinet Member.



7. Petitions Notified by Councillors

Please note: Up to 10 minutes is allowed for this item.

Petitions notified by Councillors can be about any matter the Council is responsible for or which directly affects the city. The deadline for the notification of petitions to this meeting is **12 noon on Monday 16 December 2019**.

8. Treasury Management Mid-year Report 19-20

(Pages 12 - 26)

9. Medium Term Financial Plan and Capital Strategy

(Pages 27 - 76)

10. Proposed Changes to Bristol City Council Procurement Rules

(Pages 77 - 111)

11. Policy and Budget Framework Procedure Rules

(Pages 112 -
127)

12. Key Decision Definition

(Pages 128 -
134)

13. Confirmation of Licensing Membership

(Pages 135 -
136)

14. Motions

Note:

Under the Council's constitution, 30 minutes are available for the consideration of motions. In practice, this means not all of the motions listed below will be debated. With the agreement of the Lord Mayor, motions 1 and 2 will be considered at this meeting, and motion 3 is likely to be debated, subject to time. Details of other motions submitted are also set out for information.

Please note that due to the pre-election period for the General Election on 12th December 19, only the title and party relating to each motion is



initially being published. Full details, including the wording of each motion and the name of the proposer, will be published on 13th December 19.

MOTIONS RECEIVED FOR FULL COUNCIL – 17TH DECEMBER 19

- 1. Abolition of the Position of Directly Elected Mayor – Conservative Group**
- 2. Gig Economy and Housing – Labour Group**
- 3. Bristol Airport Expansion – Green Group**
- 4. Wood Burners – Labour Group**
- 5. Fireworks – Labour Group**
- 6. Abolition of the Position of Directly Elected Mayor – Liberal Democrat Group**
- 7. Good Tax Conduct - Green Group**
- 8. Bus Services (Ownership and Congestion) - Green Group**
- 9. Clean Air Plan - Liberal Democrat Group**

Signed



Proper Officer
Friday, 6 December 2019



Public Information Sheet - Full Council

Public Forum – Full Council

You can find papers for all our meetings on our website at www.bristol.gov.uk.

Members of the public may present a petition, make a written statement or ask a question at Full Council meetings. Please submit it to democratic.services@bristol.gov.uk.

Petitions, Statements and Questions must be about a matter the Council has responsibility for or which directly affects the city.

For further information about procedure rules please refer to our Constitution <https://www.bristol.gov.uk/how-council-decisions-are-made/constitution>

Petitions from members of the public

- Petitions will be presented to the Council first.
- Petitions must include name, address and details for the wording of the petition.
- The person presenting a petition will be asked to read out the objectives of the petition with one minute allowed.
- A written reply will be provided to the lead petitioner within 10 working days of the Full Council meeting.

Statements

- Statements should be received no later than **12.00 noon on the working day before the meeting**.
- There can be one statement per person and subject to overall time constraints, a maximum of one minute is allocated for presentation.
- Any statement submitted should be no longer than one side of A4 paper.
- For copyright reasons, we are unable to reproduce or publish newspaper or magazine articles that may be attached to statements.

Questions

- Questions should be received no later than **three clear working days before the meeting**.
- A maximum of two written questions per person can be submitted.
- At the meeting, a maximum of one supplementary question may be asked, arising directly out of the original question or reply.

By participating in public forum business, we will assume that you have consented to your name and the details of your submission being recorded and circulated. This information will also be made available at the meeting to which it relates and placed in the official minute book as a public record.

We will try to remove personal information such as contact details. However, because of time constraints we cannot guarantee this, and you may therefore wish to consider if your statement contains information that you would prefer not to be in the public domain. Public Forum statements will not be posted on the council's website.



Process during the meeting:

- The Chair will call each submission in turn. When you are invited to speak, please make sure that your presentation focuses on the key issues that you would like Members to consider. This will have the greatest impact.
- If there are a large number of submissions on one matter a representative may be requested to speak on the groups behalf.
- There will be no debate on statements or petitions.
- If you do not attend or speak at the meeting at which your public forum submission is being taken your statement will be noted by Members.

Other formats and languages and assistance for those with hearing impairment

You can get committee papers in other formats (e.g. large print, audio tape, braille etc) or in community languages by contacting the Democratic Services Officer. Please give as much notice as possible. We cannot guarantee re-formatting or translation of papers before the date of a particular meeting.

Committee rooms are fitted with induction loops to assist people with hearing impairment. If you require any assistance with this please speak to the Democratic Services Officer.

Security Arrangements for Full Council

The public gallery in the Council Chamber is available for members of the public to observe the Full Council meeting.

The Lord Mayor has determined:

- Attendees should please be quiet and not interrupt proceedings.
- Large bags will be left at reception.
- All loud hailers, banners, and placards must be left at the main entrance and will not be permitted to be brought into the building.
- The Council reserves the right to remove any person who disrupts the proceedings. In appropriate circumstances, the police may be called.

Under our security arrangements, all members of the public (and bags) will be searched. This applies to all members of the public attending the meeting in the interests of helping to ensure a safe meeting environment for all attending. Visitors' bags are liable to be searched prior to entry, and entry is conditional upon visitors consenting to be searched. Searches are carried out to ensure that no items which may interrupt proceedings are brought into the building. This includes weapons, loud hailers, banners, and placards. Small notices may be acceptable if they are not obstructive or offensive (no more than A4 size).



Bristol City Council Minutes of the Full Council

12 November 2019 at 6.00 pm



Members Present:-

Councillors: Mayor Marvin Rees, Peter Abraham, Donald Alexander, Lesley Alexander, Nicola Beech, Harriet Bradley, Mark Bradshaw, Mark Brain, Charlie Bolton, Tom Brook, Fabian Breckels, Tony Carey, Craig Cheney, Barry Clark, Jos Clark, Harriet Clough, Eleanor Combley, Asher Craig, Mike Davies, Carla Denyer, Kye Dudd, Richard Eddy, Jude English, Martin Fodor, Helen Godwin, Paul Goggin, Geoff Gollop, John Goulandris, Fi Hance, Margaret Hickman, Claire Hiscott, Helen Holland, Gary Hopkins, Chris Jackson, Hibaq Jama, Steve Jones, Anna Keen, Tim Kent, Sultan Khan, Gill Kirk, Jeff Lovell, Brenda Massey, Matt Melias, Graham Morris, Anthony Negus, Paula O'Rourke, Celia Phipps, Ruth Pickersgill, Kevin Quartley, Jo Sergeant, Afzal Shah, Steve Smith, Paul Smith, Clive Stevens, Jerome Thomas, Jon Wellington, Mark Weston, Lucy Whittle and Mark Wright

1. Welcome, Introductions and Safety Information

The Lord Mayor welcomed all attendees to the meeting, and made a safety announcement in relation to the fire/emergency evacuation procedure.

2. Apologies for Absence

Apologies were received from Councillor Bowden-Jones, Clarke, Davies, Johnson, Lake, Mead, Pearce, Radford, Threlfall, Tincknell and Windows

3. Declarations of Interest

Councillor Bolton and Wright highlighted that the petition debate about Cumberland Basin road options at item 8 was about a topic which affected their wards.

4. Minutes of the Previous Meeting

On the motion of the Lord Mayor, seconded by Councillor Kent, it was

RESOLVED:



That the minutes of the meeting of the Full Council held on the 10 September 2019 be confirmed as correct record and signed by the Lord Mayor.

5. Lord Mayor's Business

The Lord Mayor informed Full Council of the recent death of Bristol City Councillor, Mike Langley on 17th October following illness.

Councillors Holland, Abraham, Hance, Carey, Bradley, Massey and Hickman, Alderman Woolacott and Mayor Rees addressed Full Council, paying tribute in remembrance of Councillor Langley.

The Full Council then observed a minute's silence in memory of Councillor Langley.

6. Public Forum (Public Petitions, Statements and Questions)

Due to the pre-election period for the upcoming Parliamentary elections, it was moved by the Lord Mayor, seconded and agreed that standing orders CPR10.7 and 10.8 be suspended. Therefore, no verbal response would be provided to public forum questions and written responses would be issued within 10 working days. There would be no supplementary questions.

Public petitions:

There were no public petitions received.

Public statements:

The Full Council received and noted the following statements (which were also referred to the Mayor for his consideration/information):

Ref No	Name	Title
PS01	Kerry Bailes	Roads outside of schools
PS02	Tim Rippington	Transport for Brislington
PS03	Geoff Allan, Bristol Climate Action Campaign	Double Tree Cover
PS04	Andrew Varney	Workplace parking levy
PS05	Jen Smith	EHCP Funding
PS06	Fiona Evans	Cotham School's lease of playing fields at Stoke Lodge
PS07	Lee Elliott	Meeting and Committee Schedules
PS08	Mike Woollacot	Councillor Mike Langley
PS09	Graham Donald	Damage to Canford Lane
PS10	Mary Page	Feasibility Report for Cumberland Basin
PS11	Eileen Means	Food parcels at Christmas



All individuals were in attendance and presented their statements.

Public Questions:

The Full Council noted that the following questions had been submitted:

Ref No	Name	Title
PQ01 & PQ02	Matthew Barton	5G
PQ03	Robert Logan	Bus Services to South Bristol
PQ04	Lee Elliott	Employment within Bristol
PQ05	Lee Elliott	Hengrove Park Development and Green Standards
PQ06	Barry Cash	Struggling with Council Tax bills
PQ07	Barry Cash	Mass Transit
PQ08 & PQ09	Ali Robertson	Western Harbour/ Cumberland Basin
PQ10 & PQ11	Kevin McGimpsey	Oversight and Due Diligence
PQ12	Geoff Tennant	Blacklisting
PQ13 & PQ14	Martin Rands	Western Harbour
PQ15	Nure Aabe	SEN

Written responses would be provided as soon as possible and within 10 working days.

7. Petitions Notified by Councillors

No Councillor petitions were received for this meeting.

8. Petition Debate ~ Publish full feasibility report on Cumberland Basin road options

The Full Council considered a report of the Director – Legal and Democratic Services setting out details of a petition ‘Publish full feasibility report on Cumberland Basin road options’. The petition had reached the 3,500 signature threshold to qualify for a Full Council debate.

Suzanne Audrey, the petition organiser, was invited by the Lord Mayor to present the objectives of the petition.

The Full Council then debated the petition.

Following the debate it was:

RESOLVED:

That the petition and the comment from the debate be noted and referred to the Mayor for consideration and response.



9. Review of the Member Officer Protocol

The Full Council considered the review of the Member Officer Protocol

The Lord Mayor moved the report and the recommendations set out therein.

Councillor Lesley Alexander seconded the report.

Following debate it was:

RESOLVED:

Full Council approved the revised Member Officer Protocol.

10 For information: Work of Bristol Women's Commission 2018-19

The Full Council received a progress report of the work of the Bristol Women's Commission 2018-19.

There was a debate and it was:

RESOLVED

That the report from the Bristol Women's Commission be noted.

11 For information: Report From Bristol Commission On Race Equality (CoRE)

The Full Council received a progress report of the work of the Bristol Commission on Race Equality (CoRE).

There was a debate and it was:

RESOLVED

That the report from the Bristol Commission on Race Equality be noted.

12 For information: Treasury Management Annual Report 2018/19

The Full Council considered a report which presented the annual treasury management review of activities and the actual treasury indicators in accordance with Local Government regulations.

Deputy Mayor Councillor Cheney moved the report and the recommendations contained therein.

Following debate it was:

RESOLVED:

That the Annual Treasury Management Report for 2018/2019 be noted.



It was then moved by the Lord Mayor that standing order CPR9.1 be suspended to allow the meeting to go past the 2 hrs 30 minute time limit. Following a vote it was agreed to proceed until no later than 8.55pm.

13 For information: Annual Report of Local Government and Social Care Ombudsman

Decisions

The Full Council considered a report which summarised the findings made in respect of the Council by the Local Government and Social Care Ombudsman in 2018/19.

Following date it was:

RESOLVED:

That the annual report of the Local Government and Social Care Ombudsman Decision be noted.

14 For information: Decisions Taken Under Special Urgency Provisions

The Full Council considered a report which outlined the use of special urgency provisions (APR16) in relation to decisions that were taken by Cabinet.

Deputy Mayor Cheney moved the report and the recommendations contained therein.

It was then:

RESOLVED:

Full Council noted the use of special urgency provisions (APR16) in relation to decisions that were taken by Cabinet in respect of Home Care Contract Extension.

Meeting ended at 8.50 pm

CHAIR _____





Full Council

17th December 2019

Report of: Service Director: Finance

Title: Treasury Management Mid-Year Report 2019/20

Ward: City Wide

Member Presenting Report: Deputy Mayor – Finance, Governance and Performance

Recommendation

That the Mid-Year Treasury Management report for 2019/20 is noted.

Summary

This report meets the treasury management regulatory requirement that the Council receive a Mid-Year Treasury review report. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans.

The significant issues in the report are:

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes. The authority has a net borrowing requirement of £245m over the next five years and since April the Council have borrowed £30m to support the delivery of the Capital Programme.

PWLB – Change of Rates

On 9 October 2019 the Treasury and PWLB announced that Local Authorities will be charged an additional 1% on any new borrowings. There was no prior warning that this would happen and it will now require the Council to reassess the financial viability of capital projects supported by borrowing due to this unexpected increase in debt financing costs.

This Council use the PWLB as a source of borrowing. It will continue to consider alternative sources of borrowing in the market place especially as other providers are now expected to be able to offer “cheaper” sources of finance.



Policy

1. There are no policy implications as a direct result of this report.

Consultation

2. **Internal**
Audit Committee, Strategic & Service Directors.
3. **External**
The Council's Treasury Management advisers

Purpose / Context of the report:

4. This report meets the treasury management regulatory requirement that the Council receive a mid-year treasury review report. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).
5. That the mid-year report is structured to highlight:
 - The economic outlook;
 - The actual and proposed treasury management activity (borrowing and investment);
 - The key changes to the Council's capital activity (the prudential indicators {PIs}).

Background

6. Treasury management is defined as:
"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
7. The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Treasury management operations aim to ensure that cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
8. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. The management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Introduction

9. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised in 2017) has been adopted by this Council. The primary requirements of the Code are:
 - Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
 - Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;

-
- Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year;
 - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions;
 - Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated bodies are Overview and Scrutiny Management Board and Audit Committee.
10. This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the 2019/20 financial year to 30 September 2019;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - A review of the Council's investment portfolio for 2019/20;
 - A review of the Council's borrowing strategy for 2019/20;
 - A review of any debt rescheduling undertaken or planned during 2019/20;
 - The Council's capital expenditure and (prudential indicators);
 - A review of compliance with Treasury and Prudential Limits for 2019/20.

Key Changes to the Treasury and Capital Strategies

11. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes.
12. The 2019–2024 Treasury Strategy (approved 26 February 2019) identified a medium term net borrowing requirement of £245m to support the existing and future Capital Programme with the debt servicing costs met from revenue savings from capital investment and the economic development fund. The Council's agreed policy is to defer borrowing while it has significant levels of cash balances (£155m at September 2019, £130m estimated for March 2020).
13. However the Council will undertake long term borrowing when rates are deemed advantageous to reduce the Council's exposure to interest rate risk. The authority took £30m of borrowing in two tranches in August and September, £20m (1.84%) and £10m (1.59%) from the PWLB when rates "dipped" historically low.
14. On 9 October 2019 the Treasury and PWLB announced a 1% increase across all maturities to its new borrowing rates. There was no prior warning that this would happen and the Council will now assess financing their external borrowing needs and market borrowing options / proposals. Due to this unexpected change, awaiting external markets borrowing proposals and along with the high level of investment balances the authority is not planning on borrowing any further funds to support the capital programme during the remainder of the year. The net financing costs arising from the £30m borrowed to date is contained within the existing capital financing budget.

It is anticipated no further borrowing will be required in the current financial year to maintain liquidity, although borrowing could be taken if:

- short term investments fall at a higher pace than expected increasing the liquidity risk of the authority and or;

- there is another significant change in markets and long term borrowing is deemed advantageous the authority will borrow over periods determined as the most appropriate to reduce the authorities exposure to interest rate risk.

Analysis of Debt and Investments

15. A summary of the of the Council’s debt and Investment position as at 30th September 2019 (including forecast at 31st March 2020) compared with 31st March 2019 is shown in the table below:

Debt & Investments	31 st March 2019		31 st September 2019		31 st March 2020	
	Actual		Actual		Forecast	
	£m	Rate% ^{*b}	£m	Rate% ^{*b}	£m	Rate% ^{*b}
Long Term Debt – PWLB Fixed	311	4.92	341	4.85	341	4.74
Long Term Debt – Market LOBO ^{*a}	70	4.09	70	4.09	70	4.09
Long Term Debt – Market Fixed	50	4.04	50	4.04	50	4.04
Short Term Borrowing	-	-	-	-	-	-
Total Debt	431	4.68	461	4.63	461	4.56
Investment	108	0.76	155	0.91	130	0.85
Net Borrowing Position	323		306		331	

^{*a} Lender option Borrower option, ^{*b} reflects the average rate for the year taking account of new loans and repayments.

We are currently achieving a return of 0.91% on our investments for the period to 30 September 2019. The return for the year is anticipated to remain broadly the same given there is no anticipated change in base rate of 0.75%. The authority’s advisors are forecasting the next rise in base rate to 1.00% around the winter of the next year (December 2020), subject to an orderly “Brexit”. Long term interest rates (PWLB) are expected to remain at or around 3% (for 25 – 50 year term) for the remainder of the year.

Economic Update

UK. This first half year has been a time of “uncertainty” on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on the mandate of the UK leaving the EU on or 31 October, with or without a deal. So far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented which has led to a delay in Brexit to 31 January 2020. Subsequently parliament voted in a favour of a general election on 12 December.

The outcome of the general election will impact on the UK economy and any interest rate forecasts are subject to change as the situation changes. At present, if the UK does achieve an agreed deal on Brexit soon, then it is possible that growth could recover quickly. The Monetary Policy Committee could then need to address the issue of whether to raise Bank Rate when there is very little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation.

On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could fall and the Monetary Policy Committee would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has

relatively little room to make a big impact and the Monetary Policy Committee would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by way of tax cuts and / or expenditure on infrastructure projects, to boost the economy. However, infrastructure projects generally take a long time to plan and to start up, and so to feed through into the economy; tax cuts would be much quicker in increasing the level of consumption in the economy.

The first half of 2019/20 has seen UK economic growth fall due to Brexit uncertainty. In its Inflation Report of 1 August, the Bank of England was “downbeat” about the outlook for both the UK and major world economies. This mirrored investor confidence around the world which is now expecting a significant downturn or possibly even a recession in some developed economies. It was therefore expected that the Monetary Policy Committee left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off changes until there is some clarity on what is going to happen over Brexit. However, it should be noted that the Prime Minister is making significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, reduce the need of the Bank of England to cut Bank Rate to support growth.

CPI has been around the Bank of England’s target of 2% during 2019 and is likely to move only a little upwards over the rest of 2019/20. It does not therefore pose any immediate concern to the Monetary Policy Committee at the current time. However, if there was a no deal Brexit, inflation could rise quickly, primarily from imported inflation as a result of a weakening pound.

The general election could result in a loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

16. **USA.** President Trump’s large easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated a strong rate of growth to 2.9% y/y. Growth in 2019 has reduced after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The Federal Reserve finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July and September 2019, it cut rates by 0.25% but flagged that this was not to be seen as the start of a series of cuts to reduce the risk of a downturn in growth. Financial markets are expecting another cut in the second half of the year.

Investor confidence has been affected by the progressive effects of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth.

17. **EUROZONE.** Growth has been slowed from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1 and then fell to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate

growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that did not help to boost growth. Consequently, it announced a third round of “targeted longer-term refinancing operations” (TLTROs); this provides banks with cheap borrowing every three months from September 2019 until March 2021, this course of action is planned to encourage bank lending.

However, since then, the downturn in EZ and world growth has gathered pace so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy.

18. **CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. The trade war with the US does not appear to have had a significant effect on GDP growth as yet as some of the impact of tariffs has been offset by falls in the exchange rate and by transshipping exports through other countries, rather than directly to the US.
19. **JAPAN.** Japan has been struggling to stimulate consistent GDP growth and to get inflation up to its target of 2%, despite monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.
20. **WORLD GROWTH.** The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will impact on other economies supplying raw materials to China. Concerns are focused on the general weakening of growth in the major economies of the world compounded by fears that there could be a possible recession in the US, though this is probably “unlikely”. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited tools available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been sub 50 which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

Interest rate forecasts

21. The Council’s treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

22. The above forecasts have been based on an assumption that there is some form of an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a significant assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

It is of no surprise that the Monetary Policy Committee has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its recent meetings in August, the Monetary Policy Committee became more dovish due to the outlook for both the global and domestic economies.

Brexit uncertainty has had a dampening effect on UK GDP growth in 2019. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September Monetary Policy Committee meeting is also concerned about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.

23. **Bond yields / PWLB rates.** There has been speculation that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain, conditions reflect low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much to have a major impact on consumer spending, inflation, etc.

This has reduced down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten year yields have fallen below shorter term yields. In the past, this has been an indicator of a recession. The other side is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on higher returns due to ultra-low interest rates on cash deposits.

What has happened during the half year to 30 September is a near halving of longer term gilt yields to unprecedented historic low levels. There is an expectation that financial markets have gone “too far” about the degree of the downturn in the US and world growth. If, as expected,

the US only suffers a mild downturn in growth this would put upward pressure on bond yields.

Japan, for twenty years has been failing to get economic growth and inflation above zero, despite a combination of large monetary and fiscal stimulus by both the central bank and government. Investors could be concerned that this condition might spread to other economies.

Since 2008 unconventional monetary policy has been applied (ultra-low interest rates plus quantitative easing). Low interest rates have encouraged debt which now makes it harder for economies to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending.

There has been news recently of a possible credit rating downgrade of the UK. Any such downgrade will likely cause gilt yields to rise increasing the cost of long term borrowing.

27. The overall balance of risks to economic growth in the UK is probably to the downside due to the uncertainties over Brexit, as well as a softening global economic picture. The balance of risks to increases in Bank Rate and shorter term PWLB rates are broad to the downside.

The downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Geopolitical risks, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Brexit – if agreement was reached that removed all threats of economic and political disruption between the EU and the UK.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up within the UK economy, which then requires a later series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to higher levels causing an increase in the inflation premium inherent to gilt yields

Investment Portfolio 2019/20

28. In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in the "Economic Update" it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are

likely to remain low.

29. The Council held £155m of Treasury investments as at 30th September 2019 (£108m at 31 March 2019) with an average maturity of 86 days. These investments are predominately with local authorities, money market funds and UK banks. The investment portfolio yield for the first six months of the year was 0.91%. The standard comparator for investment performance is the benchmark 7 day rate (LIBID)¹, which for the period was 0.57%. The benchmark for 1 and 3 month deposits was 0.65% and 0.70% respectively.

¹LIBID – London Interbank Bid rate is a recognised reference rate to benchmark short-term investment interest rates.

30. The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2019/20.

31. The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function

Borrowing

32. The Capital Financing Requirement (CFR) denotes the Council's underlying need to borrow for capital purposes. The Council's CFR at 31 March 2020 is estimated to be £881m. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing).

33. The balance of borrowing between external and internal is generally driven by market conditions and forecasts of future cash flows and interest rates. At the 31st March 2019 the Council had external borrowings of £566m and has utilised £324m of internal cash in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require on-going monitoring in the event that upside risk to gilt yields prevails.

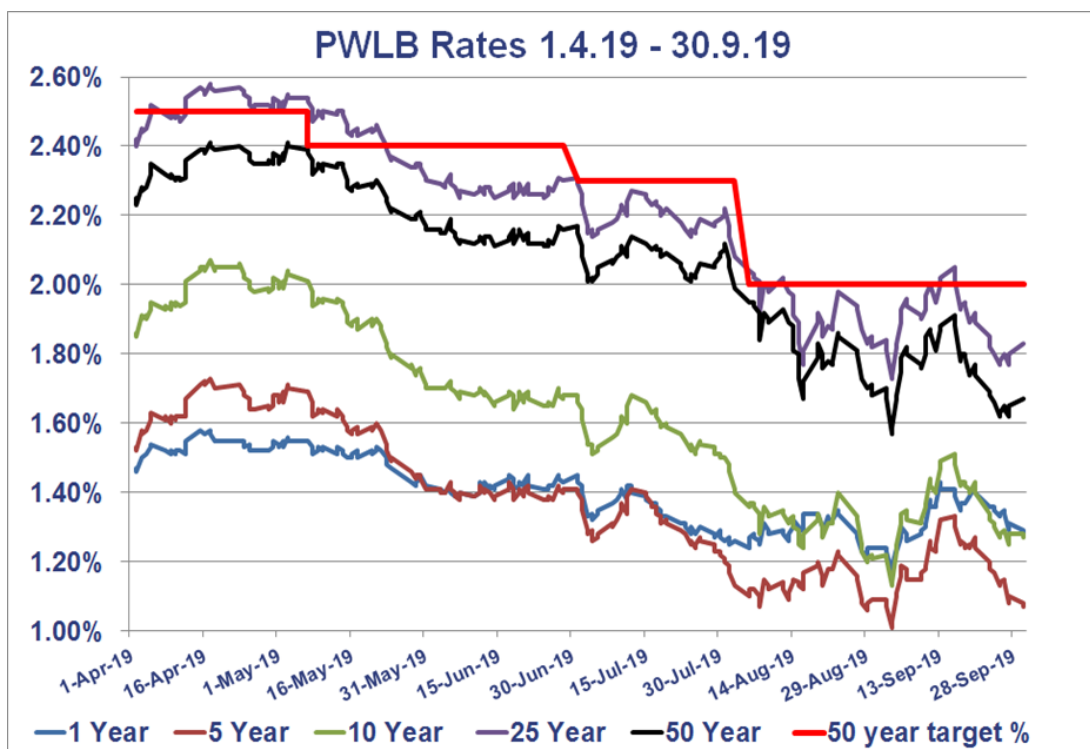
34. However, internal borrowing is a temporary measure that takes advantage of low interest rates and will ultimately be replaced by more expensive external borrowing as the cash used is required elsewhere. The timing and amount of new external borrowing is therefore dependent on capital spending decisions, future cash flows and forecasts of interest rates.

35. Due to the underlying need to borrow for capital purposes, and to reduce the Council's internal borrowing position, along with rates dropping to historic low levels, the Council borrowed £30m from the PWLB in two tranches;

- On 20th August borrowed £20m for 47 years at 1.84%
- On 5th September borrowed £10m for 46 years at 1.59%

36. Should debt financing costs continue to historic low levels, and with a significant capital programme predominately financed by borrowing the Council will consider further borrowing if rates continue to fall or are anticipated to rise at a higher pace than expected. This will enable the authority to take advantage of a low interest rate environment and reduce the interest rate risk of the authority.

37. The trend in interest rates was a decrease during the first six months of the year across all maturity bands and longer rates have almost halved to reach historic lows. The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.17%	1.01%	1.13%	1.73%	1.57%
Date	03/09/2019	03/09/2019	03/09/2019	03/09/2019	03/09/2019
High	1.58%	1.73%	2.07%	2.58%	2.41%
Date	15/04/2019	17/04/2019	17/04/2019	17/04/2019	17/04/2019
Average	1.40%	1.37%	1.62%	2.20%	2.07%

Increase in the cost of borrowing from the PWLB

38. On 9 October 2019 the Treasury and PWLB announced an increase in the margin over gilt yields of 1% on top of the current margin of 0.8% which this authority has paid prior to this date for new borrowing from the PWLB. There was no prior warning that this would happen and it now means that every local authority has to fundamentally reassess how to finance their external borrowing needs and the financial viability of capital projects in their capital programme due to this unexpected increase in the cost of borrowing.
39. Representations are going to be made to HM Treasury to suggest that areas of capital expenditure that the Government are keen to see move forward e.g. housing, should not be subject to such a large increase in borrowing.
40. Whereas this authority has previously used the PWLB as a “core” source of borrowing, it will continue to consider alternative “cheaper” sources of borrowing. At the current time, this is a developmental and we are expecting that various financial institutions will enter the market or make products available to local authorities. Members will be updated as this evolves.
41. It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future and the Council may make use of this new source of borrowing as and when appropriate.

Debt Rescheduling

42. Debt rescheduling opportunities have been limited in the current economic climate given the consequent structure of interest rates. The authority's debt portfolio is made up of long dated loans (PWLB £341m, Market Debt (LOBOS) £70m and Market Debt (Fixed) (£50m) averaging 33 years. The estimated penalty to repay the PWLB loans early is £318m, taking the total cost to £659m. In respect of the market loans, where indicative prices have been provided, a similar level of penalty has been quoted.
43. The total life cycle cost of rescheduling loans on a discounted cash-flow basis has been reviewed with no loans providing a positive cash-flow benefit to the authority. This would in part be due to large early repayment penalties that the authority will incur.
44. For these reasons no debt rescheduling has been undertaken during the first six months of the year and none is anticipated for the remainder of the year.

Ethical Policy

45. An Ethical Investment Policy is incorporated within the Treasury Management Practice Statements (TMPS). The City Council currently invest surplus funds with Banks and Building Societies either directly or via the Money Markets in the form of instant access cash deposit accounts, money market funds or on fixed term deposit and with other local authorities. The City Council's ethical investment policy is based on the premise that the City Council's choice of where to invest should reflect the ethical values it supports in public life. The City Council will not knowingly invest in organisations whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of the City Council.

The Council's Capital Position (Prudential Indicators)

46. This part of the report is structured to update:
- The Council's capital expenditure plans;
 - How these plans are being financed;
 - The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
 - Compliance with the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

47. This table shows the latest estimates for capital expenditure:

Capital Expenditure by Service	2019/20 Approved Programme £m	2019/20 Period 6 Forecast £m
Non-HRA	184	119
HRA	52	51
Total	236	170

48. The latest capital monitoring report for the end of September 2019 sets out a capital forecast

of £170m detailed within the period 6 monitoring report presented to Cabinet on the 5th November 2019.

Financing of the Capital Programme

49. The table below draws together the capital expenditure plan and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2019/20 Approved Programme £m	2019/20 Period 6 Forecast £m
Total spend	236	170
Financed by:		
Capital receipts	43	30
Capital grants	64	55
Revenue / Reserves	12	14
HRA – Self Financing	26	26
Prudential Borrowing – Increase in Capital Financing Requirement	91	45
Total financing	236	170

Capital Financing Requirement (CFR) & Operational Boundary

50. The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose and it also shows the expected debt position over the period. This is termed the Operational Boundary.

Capital Financing Requirement	2019/20 Original Estimate £m	2019/20 Latest Estimate £m
CFR – non housing	701	632
CFR – housing	249	249
Total CFR	950	881

External Debt (Operational Boundary)	2019/20 Approved Indicator £m
Borrowing	526
Other long term liabilities*	134
Total debt 31 March	660

* On balance sheet PFI schemes and finance leases etc.

51. The revised Capital Financing Requirement is based on the actual CFR as at 31 March 2019 (£847m) increased by in-year capital expenditure financed by borrowing (£45m) and reduced by the minimum revenue provision (MRP) for repayment of debt and the repayment of the debt facilities within other long term liabilities (£11m).

Limits to Borrowing Activity

52. The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2019/20 Original Estimate £m	2019/20 Latest Estimate £m
Gross borrowing	526	461
Plus other long term liabilities*	134	134
Gross borrowing & long term Liabilities	660	495
CFR* (year-end position)	950	881

* Includes on balance sheet PFI schemes and finance leases etc.

53. The Chief Finance Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

54. A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

Authorised limit for external debt	2019/20 Approved Indicator £m
Total Borrowing	970

Proposal

55. That the Mid-Year Treasury Management report for 2019/20 is noted.

Other Options Considered

56. None

Risk Assessment

57. Borrowing and lending activity is reported to the Mayor.

The principal risks associated with treasury management are:

Risk	Mitigation
Loss of investments as a result of failure of counterparties	Limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties
Increase in the net financing costs of the authority due to borrowing at high rates of interest / lending at low rates of interest	Planning and undertaking borrowing and lending in light of assessments of future interest rate movements, and by undertaking most long term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs)

Public Sector Equality Duties

58. a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
- ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in

-
- any other activity in which participation by such persons is disproportionately low.
- iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
- tackle prejudice; and
 - promote understanding.
- b) 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.

Legal and Resource Implications

Legal

The Council is under a duty to manage its resources prudently and therefore due consideration must always be given to its borrowing and lending strategy. A wide range of local authority financial activities, including borrowing, lending, financial management, and the approval of types of investment vehicle are governed by legislation and various regulations. The Council is obliged to comply with these.

(Legal advice provided by Tim O’Gara - Service Director - Legal and Democratic Services)

Financial

(a) Revenue

The financing costs arising from planned borrowing are provided for in the revenue budget and medium term financial plan. Any additional operating costs will have to be contained within the revenue budget of the relevant department.

(Financial advice provided by Jon Clayton -Capital and Investments Manager)

(b) Capital

Not applicable

Land

Not applicable

Personnel

Not applicable

Appendices:

None

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None



Full Council

17th December 2019

Report of: Denise Murray, Director of Finance & S151 Officer

Title: Medium Term Financial Plan and Capital Strategy

Ward: Citywide

Member Presenting Report: The Mayor and the Deputy Mayor, Cabinet Member for Finance, Governance and Performance

Recommendation

To note

1. The economic outlook and projections within the 5-year MTFP
2. The Strategic planning approach

To approve

3. Medium Term Financial Plan for the period 2020/21 to 2024/25
4. Capital Strategy

Summary

The MTFP and Capital Strategy provides the financial context within which revenue and capital budget for the Council will be set and the financial planning assumptions will be kept under constant review given the increased level of uncertainty in the financial and economic climate. The MTFP sets the principles under which the budget proposals are developed which are then put forward to Full Council for approval as part of the annual budget setting process.



Policy

1. The Medium Term Financial Plan (MTFP) and Capital Strategy are a key parts of the Council's financial planning process and sets out the Council's strategic approach to the management of its finances and provides a framework within which delivery of the Council's priorities will be progressed. An annual refresh is undertaken to ensure they remain relevant and accurate.

Consultation

2. **Internal**
The Medium Term Financial Plan and Capital Strategy have discussed and challenged by a Task and Finish Group of the Council's Overview and Scrutiny Management Board
3. **External**
Not applicable

Context

4. The Medium Term Financial Plan and Capital Strategy is set out in Appendices A1&A2

Proposal

5. The Medium Term Financial Plan and Capital Strategy is set out in Appendices A1&A2

Other Options Considered

6. Throughout the process, various data was analysed and reviewed in developing the resourcing principles and capital strategy. This is a complex process with many iterations and possibilities too numerous to present as discrete options. This report presents the final overall strategy.

Risk Assessment

7. Consideration of the economic context and financial risk to the Council is considered in detail in the MTFP.

Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
 - i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --

- remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
- tackle prejudice; and
 - promote understanding.
- 8b) This report sets out the financial principles which will set out how the Council make financial decisions, including setting the annual budget. Any decision taken by the Council in line with these principles will be subject to the relevant process set out in the Council's constitution and scheme of delegation, including the requirement for completion of a relevance checks and Individual Equalities Impact Assessments (EQIAs) where decision may have an adverse impact on a particular group or individuals.

Legal and Resource Implications

Legal

Whilst there is no legal requirement to produce a medium term financial plan (MTFP), it is a key financial document as it informs the Council's budget setting process.

It brings together all known factors affecting the Council's financial position and its financial sustainability into one place and enables a basis for decision making that balances the financial implications of objectives and policies against constraints in resources.

It gives clear and understandable information to decision makers on the actions that are needed to ensure long-term financial sustainability and provides the framework against which the Council's annual budget should be formulated and set.

The CIPFA Prudential Code was revised in 2017 to introduce a requirement for the Council to produce a Capital Strategy.

The strategy should be tailored to individual circumstances and cover capital expenditure, investments and liabilities and treasury management overall strategy, and governance. It should enable procedures and risk appetite to be fully understood by all elected Members and allows Members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

(Legal advice provided by Nancy Rollason, Head of Legal)

Financial

(a) Revenue

The financial implications are set out in the report.

(b) Capital

The financial implications are set out in the report.

(Financial advice provided by Tian Ze Hao, Senior Finance Business Partner)

Land

Not applicable

Personnel

A key principle underpinning the Medium Term Financial Plan is our workforce and productivity. An organisational improvement plan has been put in place which will support the requirements set out in the Medium Term Financial Plan and our Corporate Strategy. Any workforce changes which arise during the financial planning period will be addressed and considered during the annual budget setting process.

(Personnel advice provided by Mark Williams, Head of Human Resources)

Appendices:

Appendix 1 – Medium Term Financial Plan

Appendix 2 – Capital Strategy

Appendix 3 – Equalities Impact Relevance Check

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None

Medium Term Financial Plan 2020/21 – 2024/25

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1. Introduction

- 1.1. The Medium Term Financial Plan (MTFP) is a key part of the Council's Policy and Budget Framework and financial planning process. 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 will be progressed.
- 1.2. The MTFP is a rolling 5 year plan which is currently covering the period 2020/21 to 2024/25. It is intended to outline, in broad terms, the specific service and funding issues over the 5 year period and how the Council will, within its financial constraints, fund its priorities and ensure financial sustainability and resilience can be achieved.
- 1.3. It is important to understand that the MTFP does not constitute a formal budget. It provides the financial context and resourcing principles for the annual budget setting process, considerations of the Council's budget requirement and Council Tax levels. As a living document it is subject to annual review and revision, incorporating the latest information, building on the existing plans and updating financial planning assumptions to reflect known local and national changes and risks.

2. Executive Summary

- 2.1. The MTFP underpins the Council's medium term policy and financial planning process and outlines a deliverable and affordable approach to meeting the challenges presented by changes in funding and sustain and growing demand for our services for the period 2020/21 to 2024/25. It describes the environment within which the Council operates both nationally and locally, brings together resource and cost projections and outlines the underpinning resourcing principles that explains how the Council plans to direct resources to address pressures, whilst retaining focus on the strategic priorities. It is intended to provide a transparent guide to the Council's financial planning over the medium to long term.
- 2.2. The 2019 Spending Round provided a one year departmental budget and 3 year funding commitment for schools. It provided welcomed confirmation of the continuation of previous one-off funding for Social Care, inflationary uplifted grants and the announcement of additional new Social Care funding, Social Care Precept, increase Schools and High Needs funding within the Dedicated School Grant.
- 2.3. Based on the subsequent refresh of the original assumptions in the budget, the resulting revenue funding for 2020/21 is £377,368m. It is proposed that 60% of this funding would be generated from Council Tax (In operating within the referendum principles outlined by central government of 2% General Council Tax and 2% Social

- Care precept) and 35% from 100% business rates retention and the residual 5% from other central government grants.
- 2.4. The Council has sought the opportunity to reconsider how funding sources which are considered to be one-off (Social Care grant), funding at risk (Business Rates growth) or incentive funding (New Homes Bonus), all totalling £17.38m in 2020/21 is utilised. In addition consideration has been given to recurring funding sources from areas such as the Social Care precept and other minor changes totalling £4.58m to fund on-going services for 2020/21 and beyond. This has resulted with clarity in presentation of the actual funds that are available each year to meet the pressures and challenges which we face.
 - 2.5. **It is important to note that these funds are not surplus to requirement but critical in enabling the Council to meet the known and emerging pressures and achieve a balance position. The Council will need to continue to work to assess, quantify and contain the pressures outlined in Section 5 and ensure that investment and disinvestment decisions are driven by our policies and the needs of the City. Our MTFP recognises the need to achieve significant value for money in service delivery and allows for ways of delivering services that are a departure from traditional models.**
 - 2.6. The local picture in Bristol reflects the national one in terms of the challenges facing the public sector. In particular those facing social care services for Adults and Children and increasing number of children with Special Educational Needs and Disabilities (SEND) which continues to rise. This is as a result of factors such as increasing demand, complexity of need, internal / external capacity and market stability issues in the independent sector. The areas above are in addition to primary pressures such as inflation and pensions but continue to represent the most significant risk to the Council's finances. The Council (and Schools) have been able to invest substantial revenue resources in Adult Social Care over the last 3 years and SEND and will need to consider how best this support can be provided for the next 5 year period to mitigate these pressures, and protect the most vulnerable in our community.
 - 2.7. The Council will also be making significant investment in Bristol as a place, in order to maintain the attractive environment that we know is so important to the people who live and work here. We know that Bristol is well placed economically and we have ambitious plans to take us forward, putting the Council in a good position to deliver against its priorities for the people of Bristol. Our strategy in relation to reserves, provides some protection against uncertainty and seeks to make some provisions for key areas such as climate emergency and resilience, but more important in the longer term is our policy of inclusive managed growth.
 - 2.8. Rather than an end in itself, we see growth as the means of achieving wellbeing through shared prosperity and all of our residents feeling the benefit. The Capital strategy also sets out to maximise the capital funding which is available to the authority from a range of different sources and targets those resources at key

investment projects which support the delivery of our priorities across the Council's services. The capital programme over the next 5 year period from 2020/21 to 2024/25 has a projected value of £732.3m and is outlined in more detailed within the Capital Strategy.

- 2.9. Through the West of England Combined Authority, we are working with government and regional partners to capitalise on the opportunities presented from devolved funding to bring substantial infrastructure and employment benefits to both Bristol and the wider region.
- 2.10. In recent years we have demonstrated our ability to rise to the challenges presented by sustained and growing demand for our services, through managing demand, maximising locally generated income and reducing costs. The MTFP sets out a deliverable and affordable approach to meeting, the demands in a sustainable manner and providing some resilience at a time of continuing economic uncertainty.

3. Governance

- 3.1. To ensure that each local authority has in place appropriate financial management arrangements, The Chartered Institute of Public Finance & Accountancy (CIPFA) has issued (October 2019) a Financial Management (FM) Code. The FM Code has been issued in the context of a number of public bodies reporting that they are facing significant financial challenges and places long term sustainability of local services at its heart.
- 3.2. The FM Code will apply to all local authorities, including police, fire and other authorities. It is designed to support good and sustainable financial management throughout the full financial cycle of financial planning, budget setting, in-year monitoring and reporting and statutory reporting. It will provide assurance of prudent use of public resources, effective management of resources, adherence to legislative requirements in our jurisdictions and evidence of good governance. The framework sets explicit standards of financial management and complying with the standards will be the collective responsibility of elected members, the Chief Finance Officer and the leadership team.
- 3.3. The first full year of compliance will be 2021/22, in recognition that organisations will need time to reflect on the contents of the code and can use 2020/21 to demonstrate how they are working towards compliance.
- 3.4. In respect of financial planning the Council can demonstrate the following on its journey to full compliance:
 - The Council's Policy and Budget Framework, Financial Regulations and codes such as The Prudential Code for Capital Finance and Treasury Management

Code of Practice and due regard to our statutory duties, have been integral in guiding the financial planning arrangements and propositions within the MTFP.

- Links to the Council's Corporate Strategy, contributing to the One City Plan and delivery of our top priorities.
- Long term financial forecasting and medium (5 year) financial planning is undertaken with the proposed allocating of resources towards short, medium and long-range goals.
- Forecasts future known additional spending requirements, likely resources, emerging pressures, opportunities and risks.
- Aligning overarching spending plans to an assessment of the future available resources and where there is uncertainty proposing the measures necessary to ensure financial sustainability and resilience.
- Ensuring elected members and officers (typically through a series of briefings / working groups) are informed and have the ability to scrutinise and scope the high level proposals during development. This has allowed officers to present the evidence gathered and formulate proposals in an iterative manner.
- Through the process where appropriate and or necessary, we will also consult the public on subject such as Council Tax increases, with the output feeding into the Council budget approval process.

3.5. The council will continue to assess its compliance with the new FM Code at each stage in the 2020/21 financial cycle and take the necessary steps to demonstrate sustainability and resilience and ensure its readiness for full compliance in all areas from 2021/22.

4. Council Priorities

4.1. The Council approved Corporate Strategy 2018 - 2023 set out the vision for Bristol and the priorities to be delivered:

“Our vision is for Bristol to be a city:

- In which everyone benefits from the city's success and no-one is left behind;
- Where people have access to decent jobs and affordable homes;
- In which services and opportunities are accessible;
- Where life chances and health are not determined by wealth and background;
- That leads on tackling climate change and the damaging impact of air pollution;
- Which is easier to get around and has improved public transport.”

“Aspiration and equality lie at the heart of the Mayor's vision for building a better Bristol, which identified seven key commitments to be address during the five year period:

- We will build 2,000 new homes – 800 affordable – a year by 2020.
- We will deliver work experience and apprenticeships for every young person.
- We will not impose future Residents’ Parking Schemes and will review existing schemes.
- We will protect children’s centre services.
- We will increase the number of school places and introduce a fair admission process.
- We will put Bristol on course to be run entirely on clean energy by 2050 and introduce a safe, clean streets campaign.
- We will be a leading cultural city, making culture and sport accessible to all.”

4.2. This MTFP seeks to complement the Corporate Strategy (medium term) and the council’s contribution to the one City Plan (long term), setting out a framework to ensure the Council lives within its means and targets available resources to the priority areas. Meeting the strategic priorities outlined will need to be balanced against our core functions, which for the purpose of this plan have been defined as those that are based on meeting statutory or mandatory obligations and functions against which we are regulated.

5. Financial Outlook

The financial outlook takes into account the implications of the following over the next 5 years:

- Forecast impact of changes on both the demand for services and likely funding due to:
 - Global, national and local economic factors;
 - Demographic changes;
 - Technological advances;
 - New legislation / regulation; and
 - Policy initiatives by both the Government and the Council.
- Forecast future resource levels.
- Relating emerging service demands, priorities and opportunities comparative to the available resource.

Economic and Financial Context

National Context:

- 5.1. This financial outlook is set in the context of the wider global financial and economic outlook. The 14th edition of Global Risks Report (2019) from the World Economic Forum describes a backdrop of worrying global tensions relating to politics, economies and international relations influenced by geographical factors. It listed increasing polarisation of societies and growing wealth disparity among key concerns. The biggest risks by likelihood, is topped by extreme weather events such as floods and storms, followed by failure of climate-change mitigation and adaptation; major natural disasters like earthquake, tsunami, volcanic eruption and storms; and massive incident of data fraud/theft; and large-scale cyberattacks among the biggest risks in terms of likelihood. These risks have the potential to trickle down to all sectors of the economy.
- 5.2. Whilst the current economic climate continues to be uncertain, the UK's public finances have performed more strongly than expected in 2019, reflecting stronger than expected tax receipts and lower than expected spending on welfare and debt interest. The most recent figures from the Office for National Statistics (ONS) indicated that the UK economy contracted by 0.2% in the 2nd quarter of 2019. This compares to positive growth of 0.20% for the EU 28; 0.37% for the G7 and 0.51% for the USA. Forecasts have been revised downwards but in contrast employment remains at high levels.
- 5.3. Household spending has slowed relative to prior years in spite of the UK employment rate continuing to rise. As of March 2019 the rate was at a record (since 2004) high of 75.2% and in contrast the UK unemployment rate has continued to fall. The rate was at a record (since 2004) low of 4.2% and business investment has grown moderately over the past year with net trade making a positive contribution to GDP growth.
- 5.4. The general government deficit (or net borrowing) was £25.5bn in the financial year ending March 2019, equivalent to 1.2% of GDP and the Office of Budget Responsibility (OBR) expects the deficit to remain within its agreed fiscal rules (keeping the structural deficit/planned borrowing below 2% of national income and debt falling within 3% of GDP). They were predicting that borrowing will be lower than forecast, with the revised net borrowing as a percentage of GDP figure up slightly to 1.4% in 2019/20 (from 1.2% in 2018/19).
- 5.5. UK Parliament declares climate change emergency (May 2019), which puts the government on record in support of **emergency** action to reverse global warming and a new target has been set to reduce carbon emissions by 80% (compared to 1990 levels) by 2050.
- 5.6. The Chancellor delivered his Spending Round (SR19) to Parliament (September 2019), announcing a delay in the 3 year Local Government funding settlement to

2020 and setting out departmental spending plans for 2020-2021 only and 3 year funding commitment for schools. This included a one-off allocation of £13.8bn (compared to the previous year) for public services; largely relating to a number of nationally pressurised areas including social care and education.

- 5.7. The SR19 focused on day-to-day revenue spending, with the view that departments already have capital budgets for 2020-21, which were set at the Spending Review in 2015. This SR19 largely leaves these capital budgets unchanged; with additional capital funding confirmed for healthcare, policing and prisons. Later in the autumn, the government is scheduled to announce its plans for future capital spending included in the publication of the National Infrastructure Strategy.
- 5.8. All the above of course has to be set against a backdrop of significant global instability where events can impact significantly (and at short notice) on the UK and the overall UK economic outlook.

Local Context:

- 5.9. Local Government funding is subject to both national and international influences. This can have a significant impact on the level of services required to be provided and the ability of the Council to provide them. Understanding these projections and plans is essential in framing our local financial planning.
- 5.10. The population of Bristol was estimated to be 463,405 people in mid-2018, representing 0.9% growth from the previous year and rising. Bristol contributed £14.20bn (inflation adjusted) (Gross Value Added, GVA) to the UK economy in 2017 - up from £14.05bn in 2016. While there is little official data to describe Bristol's current economic conditions Bristol enjoys a relatively high GVA per head £31,513 in 2016 (in comparison to £28,215 in 2012).
- 5.11. The ONS indicates that in 2018 there were 22,170 active business units in Bristol (VAT / PAYE registered), up 3.5% on the level of 2016. This compares to an increase (2016-18) of 4.1% for the UK and is reflected in the Net Business Rate collected in Bristol which showed a 2.6% increase in 2018/19. Having started the year poorly the City Centre Office market recovered in the second quarter with serviced office space leading the way. Bristol continues to attract investment and customers. The Creative sector has seen positive signs with the Bottle Yard studios attracting work and other Bristol businesses attracting high profile customers. In 2018 Channel 4 chose Bristol as the base for one of its two new national creative hubs.
- 5.12. The employment rate of 77.6% for Bristol, whilst down from 78.1% 2018 remains the highest of the Core Cities outside London and is above the national average. However recent trend suggests that we have plateaued compared with other major cities experiencing a positive annual trajectory from 2014. Recent years has seen a reduction in the numbers of working age adults' claimants to the Local Council Tax Reduction scheme.

Figure 1: Core Cities Employment Rate and Trend

Area	Employment Rate ^{20,21} : Mar of yr.				Change Between Years		
	2006	2014	2018	2019	2006-14	2014-19	2006-19
Bristol	73.8	69.9	78.1	77.6	-3.9	7.7	3.8
Birmingham	61.5	60.1	64.3	65.5	-1.4	5.4	4.0
Cardiff	67.7	69.4	71.9	75.6	1.7	6.2	7.9
Glasgow	62.7	64.0	66.5	65.8	1.3	1.8	3.1
Leeds	73.2	69.0	76.9	75.5	-4.2	6.5	2.3
Liverpool	60.9	61.2	67.5	66.6	0.3	5.4	5.7
Manchester	61.2	62.1	68.9	68.8	0.9	6.7	7.6
Newcastle	65.2	60.3	68.5	67.8	-4.9	7.5	2.6
Nottingham	64.8	59.8	58.7	64.1	-5.0	4.3	-0.7
Sheffield	67.5	68.7	70.4	74.6	1.2	5.9	7.1
UK	72.4	71.4	74.8	75.2	-1.0	3.8	2.8

5.13. However, Bristol’s prosperity is not shared by all its citizens and many areas experience multiple deprivation.

5.14. Within Bristol there are significant levels of poverty and inequality. Bristol continues to have deprivation areas that are amongst some of the most deprived in the country and these can lie adjacent to affluent areas. In the latest published data, Bristol has 41 areas in the most deprived 10% in England for Multiple Deprivation (one less than in 2015), including 3 in the most deprived 1% in England (3 less than in 2015).

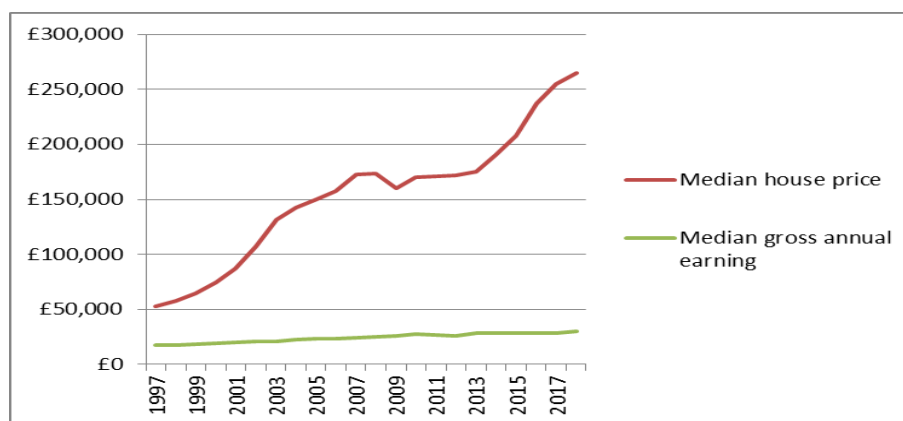
5.15. North Bristol Foodbank saw a 30% increase in foodbanks in the first few months of 2019 compared to a year previously. Also Local Crisis and Prevention Fund Foodbank referrals have increased by over 30% from 2018/19 to 2019/20.

5.16. The nationally recognised measure of unemployment indicates that there were 10,200 unemployed people (aged 16 and over) 3.9% resident in Bristol in July 2019. The benefits claimant count (JSA plus those claiming Universal Credit who are unemployed) for Bristol has risen and as of July 2019 stood at 8,075, largely caused by changes in the benefits system. Under Universal Credit a broader span of claimants are required to look for work than under Jobseeker's Allowance. As Universal Credit Full Service is rolled out further, the number of people recorded as being on the Claimant Count is therefore likely to rise. Based on the Annual Population Survey there are still over 20,000 Bristol residents who want to work or work more hours.

5.17. There is a considerable demand for housing in Bristol and this is growing, however there is a lack of choice facing potential tenants and homeowners in Bristol. This is resulting in increased rents and house prices outstrip the national average. In Bristol the house price and earnings ratio was 8.7 times (in 2018) comparing to the England

and Wales average of 7.8 times. The Welfare Reform Act brought in numerous changes that affected the income of people in Bristol and their ability to afford their rent. Many more homes are needed to meet demand, while Government subsidies for providers to build affordable housing have been removed in recent years.

Figure 2: Bristol Median house price vs gross annual earing (ONS 1997 to 2018)



- 5.18. Overall the economy of Bristol looks in reasonable condition but is unlikely to be immune to external factors. The city continues to attract investment and business in a variety of sectors including Construction. Local businesses, in the services sectors, continue to grow.

Environmental Concerns

- 5.19. Bristol City Council became the first UK council, (November 2018), to declare a **climate emergency** for the city and now has an ambitious goal of making Bristol carbon neutral by 2030. Central government issued a directive in 2017 for LA's to produce a Clean Plan in response to the Nitrogen Dioxide (air quality) concerns.
- 5.20. The Council has undertaken a feasibility study and identified options which will deliver compliance within legal limits for nitrogen dioxide and evaluate the shortest possible time and a business case outlining **Bristol Clean Air Plan** is being produced for submission.
- 5.21. Bristol City Council is working with the Environment Agency to develop a long-term plan for managing **flood risk** to central Bristol from the River Avon which is increasing with the impact of climate change. It is anticipated that further measures will need to be considered to minimise this risks and conversations and consultation on the potential approach is likely to take place in Autumn 2020.
- 5.22. The long term financial impact that the above will have both on the City and Council is unclear at this point but it is imperative that resources are earmarked in the 2020/21 budget to enable the Councils obligations to be delivered and enhance the Council's physical assets such as vehicles, building standards and in readiness should an increase occur on previous estimates of cost of capital projects.

Brexit

- 5.23. The economic implications for the Council and City are still very difficult to forecast and quantify with the terms and timing of exiting the European Union yet to be confirmed. Due to this uncertainty whilst refreshing the MTFP, neither a positive nor negative impact has been assumed within the outlook summary.
- 5.24. A number of notices have been announced and these headlines have been summarised below:
- Preparations for leaving EU
 - additional funding of £6.3bn available for government departments to assist with preparations for leaving the EU and civil contingency measures; of which
 - £40m (£0.210m Bristol) allocated to local authorities;
 - SR announced that a further £2bn of core funding provided to departments for Brexit in 2019-20 will be continued into 2020-21.
 - If no future relationship with the European Investment Banking Group is in place before the UK leaves the EU, the government has announced that it will provide the British Business Bank with the resources to enable it to make up to £200m of investment in UK venture capital and growth finance
 - Announcement of a UK Shared Prosperity Fund to replace EU Structural Funds
- 5.25. More information about the council's preparation for Brexit can be found within the Brexit update presented to Cabinet on 3 September 2019.
- 5.26. The long term forecasts for national spending are uncertain. We need to plan our resources on the basis of the need to increase our resilience to social, technological, environmental and economic changes. It is important to note that projections within this MTFP are largely based on the continuation of past trends. Through the City and the Council's intervention and the implementation of various initiatives aimed at sustainable inclusive growth, it is possible that trends will change positively over time.

Five Year Financial Outlook

The financial outlook provides the indicative funding envelope that facilitates the development of service plans and budgets that will best allocate resources in a manner that will enable effective mitigations of risks and deliver key commitments as outlined in the Council's Corporate Strategy.

Indicative Available Funding

- 5.27. The financial outlook is a live document and is under regular revision. The baseline position has been adjusted to reflect the latest information and assumptions and scenario tested to show a realistic indication of the possible available resources.
- 5.28. Recent changes reflect SR19 commitment, relevant indices and incorporate latest local assumption e.g. household growth /student growth and capital financing, and whilst no decision has been made in relation to Council Tax, the modelling assumptions are that the ability to raise additional Council Tax as per core funding levels indicated by the government (i.e. 2% referendum limit and 2% social care precept) will be supported.
- 5.29. The opportunity has been taken to seek to de-risk the financial plan and ensure where possible funding for known on-going core service is aligned to on-going sustainable funding sources and incentive / growth funding that may be at risk in the future has been removed out of the base budget and will be used strategically to fund one off and emerging pressures, transformation / innovation or our planned invest to reduce revenue programmes.
- 5.30. The forecast level of overall general fund resources available to the Council, including retained business rates, central grants and Council Tax income, over the next planning period is as follows:

19/20 £m	Forecast Funding	20/21 £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m
14.487	Improved Better Care Fund	14.487	14.487	14.487	14.487	14.487
5.493	Adult Social Care Grant	5.493	5.493	5.493	5.493	5.493
199.563	Council Tax General	205.991	210.854	216.106	221.798	227.594
15.226	Social Care Precept	19.758	19.829	19.927	20.053	20.175
134.243	Retained Business Rates*	131.639	134.272	136.958	139.697	142.491
1.540	Business Rate Levy Rebate					
0.893	Collection Fund	0	0	0	0	0
6.943	New Homes Bonus	0	0	0	0	0
378.388	Total Baseline Funding	377.368	384.935	392.970	401.527	410.239
0	Adult Social Care	8.211	0	0	0	0
0	100% Business Rates Pilot	4.666	0	0	0	0
0	Collection Fund	(1.636)	0	0	0	0
0	New Homes Bonus	6.140	3.486	1.411	0	0
0	Total One-off funding	17.380	3.486	1.411	0	0

**Business Rates includes Revenue Support Grant as part of 100% Business Rates Retention Pilot*

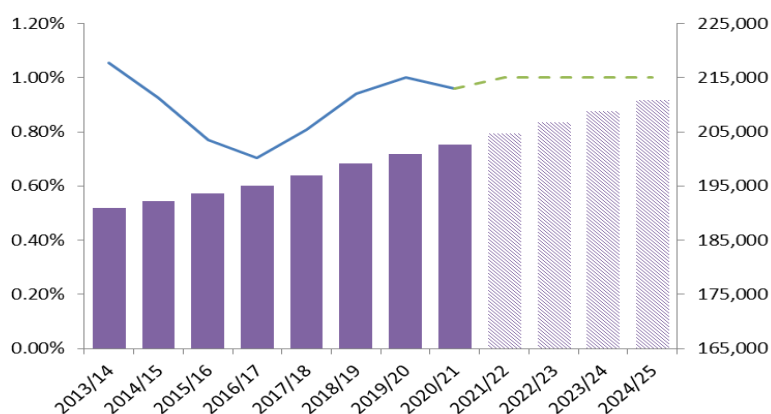
Adult Social Care Grants

5.31. The most significant announcement in the SR for local government is the confirmation of the continuation of previous one-off funding for Social Care, and new Social Care one-off funding of £1.0bn (£8.2m for Bristol). There is potential to generate further local funding from up to 2% Social Care Precept (subject to consultation and local decision making). This should be considered short term funding whilst we wait for the long-delayed green paper on social care and sustainable funding strategy.

Council Tax

5.32. The population of Bristol is estimated to grow by 0.9% in comparison to the previous year. The population growth has somewhat slowed down since it peaked in 2015 (1.5%). Over the next 5 years, Bristol is projected to have an additional 27,000 people, increasing to around 490,300 by 2024. This population increase drives additional housing and therefore increases the Council Tax base which generates additional receipts to the Council. Using a rolling three year average puts total dwelling growth at around 1% which has been used as a basis of future growth in the financial outlook

Figure 3: Growth in Total Dwelling and Forecast



5.33. There are various discounts and exemptions to Council Tax such as single person discount, and student exemptions and Local Council Tax Reduction Scheme. Most of these are set at a national level with the exception of the working age adult element of the Local Council Tax Reduction Scheme.

5.34. Bristol hosts two universities, one of which falls within the Bristol City boundary, and that have a combined student number in excess of 56,000. The growth in university capacity and student numbers has an impact on the Council Tax raised and also on the provision of Council's services. The wider economic impact attributed to the city is difficult to quantify, however between them they employ over 9,000 staff and according to research carried out by the Russell Group on its 24 member universities, large student population drives inward investment, volunteer in the community, set-up businesses, support the city's hospitality and

retail sectors, cultural organisations and sporting activities. They play a key role in the city's economy and in making the city such a vibrant and creative place.

- 5.35. Just over 82% of chargeable dwellings in Bristol are classified as being in Band A to C (60% A&B) for Council Tax purposes. Nationally, the average for England bands A to C is 66% (44% A&B). In addition Bristol has a high volume of residents who qualify for discounts and exemptions. Bristol's tax base in 2019/20 is reduced by 24% due to the impact of council tax discounts and exemptions whereas the average reduction across England is 20%.
- 5.36. If Bristol's tax base had been comprised of the same proportion of dwellings in each tax band as the national average, and if it had the same proportion of discounts and exemptions as the national average, then, instead of generating £214m in council tax income in 2019/20 it would have generated £253m (i.e. an additional £39m).

Retained Business Rates Funding

- 5.37. Since 2017-18 Bristol has been piloting 100% retention of business rates and it was the government's intention to move to a national model of a 75% retention scheme to all areas for 2020-21. No clarity had been provided as to whether a differential approach will be adopted for combined authorities with devolution deals that currently operate 100% pilot schemes and such this has represented a risk for the Council.
- 5.38. It has been announced that this has now been delayed until 2021-22 and at the same time it has also been announced that business rate retention pilots are to end in all areas except those with devolution deals which will retain 100% for another year (2020/21). The 75% retention pilots will not continue into 2020/21, meaning that the amount of business rates retained locally will drop from 75% to 50% for the other pilot areas in April 2020.
- 5.39. The retention of the growth in business rates provides councils with the incentive to grow their rates revenues (e.g. by promoting economic and property development) and Bristol has done this. There are a range of changes proposed to the system and whatever year these are introduced will result in some serious financial repercussions for most Authorities; as although pilots were only ever agreed for on a temporary basis, there was a general expectation that 75% retention would become permanent from 2020-21.
- 5.40. There is much uncertainty in the detail of how the rates retention system will work beyond the current pilot period (ending March 2021). In particular, it is unclear what additional responsibilities will come with the additional funding and how the appeals process will work. National plans to compensate councils for revenue losses as a result of backdated appeals under the national retention scheme needs to be clarified as business rates retention is less attractive if that means significant increases of the risk associated with appeals.

5.41. The Fair Funding Review is aimed at designing a new system for allocating funding between councils. In particular, the review will update and improve methods for estimating councils' differing abilities to raise revenues and their differing spending needs and via a fair methodology equalise as appropriate and set new funding baselines for every authority alongside the introduction of 100% business rate retention. It was expected for 2020/21 however the SR19 announced that whilst they remain committed to these changes this would also be delayed until 2021/22.

Ring fenced funding

5.42. **Public Health (PH) Grant** - The SR19 included a 'real-terms increase to the ring fenced PH Grant budget. The exact amount is yet to be confirmed, however for Bristol we estimate the budget for 2020/21 to be c. £32.5m (in comparison to £31.6m 2019/20 and details of associated new burdens is to be considered and quantified.

5.43. PH is about more than the PH Grant and health services. It is the social determinants – education, housing, transport, income – that do more to shape our health than the services that pick up the pieces when ill-health strikes. The totality of the resources available to promote the health and wellbeing of the population is much greater than this ring fenced PH grant. The combined resources of the Council and our partners, e.g. Clinical Commissioning Group, the hospital trusts, local schools, police, etc. can all be used more thoughtfully to maximise health gain for the city's population.

5.44. The SR19 addresses a few of these issues to some extent, notably more money for children and young people with Special Educational Needs and Disabilities, homelessness and rough sleeping and social care and outlined the prospect of a Youth Investment Fund to refurbish existing youth centres and build new ones, When set against stalling life expectancy and growing health inequalities and complex challenges such as violent crime and climate change, we need wider strategic thinking in the budget about deployment in delivering optimum PH Outcomes.

5.45. **Dedicated Schools Grant (DSG)** – The SR19 announced that national funding for schools and high needs will increase for 2020/21 - 2022/23. Final allocations and high needs block allocations will be published in December and we estimate that the likely level of funding for Bristol in 2020/21 will be as follows:

- The schools block will be calculated using National Funding Formula (NFF); if we used the NFF to distribute the DSG then the increase would be an additional £10.8m in the schools block. Minimum funding levels per pupil are set as part of the NFF, for 2020/21 these will be £3,750 for primary schools and £5,000 for secondary schools. This minimum per-pupil funding will be a mandatory factor in the local formula for the first time in 2020/21. There are currently 18 primary schools and 6 secondary schools in Bristol that are

funded below these levels, until we have more detail on funding levels as well as pupil numbers and characteristics it is difficult to forecast if these schools will still be below the minimum per-pupil levels and therefore benefit from this.

- MFG can be set at between +0.5% and +1.84%. An MFG of 0% was applied for 2019/20, Schools Forum will need to discuss and agree what MFG rate is set for 2020/21. Local authorities will continue to be able to transfer up to 0.5% of their schools block to other blocks of the DSG, with schools forum approval. In 2019/20 we transferred £2m from the schools block (to High Needs block), this represents 0.76%. If 0.5% of the indicative Schools Block is taken this only allows a transfer of up to £0.9m to cover the underling high needs block shortfall in 2020/21, any more thanks this would require Secretary of State approval.
- The teachers' pay grant and teachers' pension grant will continue to be paid separately from the NFF in 2020/21 and we estimate that this will increase to cover the full year effect of the changes introduced in September 2019 and will result in an increase of £4.1m.
- The high needs allocations to individual LAs will rise by at least 8%, with a maximum increase of 17%. Bristol is expected to receive circa 12% an additional £6.6m This should be considered in the context of £2.4m additional funding in 2019/20 from 2020/21 in advance, which will be the first call on the funding available in 2020/21 and reducing this figure to £4.1m. Historic transfers from schools and other DSG areas to support high needs of £2.6m and in year actual spend pressures of £2.4m give a combined total of £5m indicating that without further action this funding whilst welcomed is not sufficient.
- The national increase for early years is £66m, which represents a 1.8% increase. Applying this percentage increase to our current funding would result in an additional £0.6m for 2020/21.
- In all the above examples we have assumed no changes in pupil numbers or composition. The final authority proforma tool (APT) containing the actual figures and basis for 2020/21 funding is expected to be issued in December 2019.

5.46. **Housing Revenue Account (HRA)** – The HRA includes all expenditure and income incurred in managing the Council's housing stock and, in accordance with Government legislation, operates as a ring fenced account with a 30 year business plan.

5.47. Between 2016/17 and 2019/20 Councils were required by the Welfare Reform and Home Act (2016) to reduce social housing rents by 1% per annum. Properties within PFI areas have been exempt from this requirement. From 2020/21, and for a 5 year period, the Government are allowing councils to return to the rent formula of

CPI+1% for future rent increases. These increases in rent will help the Council deliver its priorities.

- 5.48. Since all activity is funded through the HRA, any variations in the rental income stream will impact upon the level of resources that are available for the delivery of housing priorities. Resources will be directed towards key priority areas which include fulfilling the plan to improve the homes people live in, expanding and improving older person's housing and improving estates to ensure that they are safe and clean places to live.
- 5.49. The Council remains committed to prioritising resources to meet the HRA investment plans and to replace homes lost through Right to Buy by the planned investment in new homes and the buying up of empty homes. Whilst the Council aims to maintain a consistent level of capital expenditure with a view to improving the condition of the stock, this will be within the constraints of the total funding available within the HRA.

Summary Position

- 5.50. The budget approved by Full Council in February 2019 was balanced for three years, the additional funding available to the Council means this funding may be allocated during budget setting to meet any pressures or risks as outlined below.

	20/21 £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m
Forecast Baseline Funding	377.368	384.935	392.970	401.527	410.239
Baseline excl. Pressures	(372.781)	(380.603)	(391.151)	(400.407)	(409.663)
Base funding - To support recurrent pressures	4.588	4.332	1.819	1.120	576
Total One-off Funding To support one-off pressures & investments	17.380	3.486	1.411	0	0

- 5.51. The updated projected budget position assumes the achievement of all historically agreed budget reductions, efficiencies and income generation proposals amounting to £12.5m over the period to 2022/23.
- 5.52. **It is important to remember whilst it is not expected that there will be a funding gap in 2020/21. There are a range of pressures and one off investment request that will need to be needs to analysed and quantified between now and budget setting for 2020-21 and funding decisions still to be made in relation to Council Tax. Strategic decisions will need to be made on how these and other priorities**

identified will be progressed and if not appropriately managed the level of funding available could be exceeded resulting in the need to make efficiency savings.

Financial Pressures and Opportunities

In year budget pressures 2019/20 as at Period 6

- 5.53. The current forecast of the year end revenue position, based on actual expenditure at the end of September 2019 and forecasts to year end is an overspend of £4.5m (1.2% of the budget) for the GF, £1.4m underspend for HRA (1.1%), £0.7m underspend for DSG (0.2%) and £0.1m overspend in Public Health grant (0.4%),
- 5.54. A report was presented to and approved by Cabinet in July 2019 of £1.57m one off funding to increase the capacity in SEND and Education psychology services to address critical failures of statutory compliance.
- 5.55. Mitigation actions are being pursued for the pressures within Adult Social Care and Facilities Management and as yet no request has been made for a supplementary estimate. Given where we are in the financial year, if mitigation cannot be delivered in time, this will be the first call on the additional funding and it presents a risk for future years which will need to be addressed in the 2020/21 budget setting process.
- 5.56. Additional risk forecast in 2019-20 are assumed to be in-year pressures that will be mitigated should they materialise and therefore not carried forward in the base.

Savings at Risk

- 5.57. As at period 6 £3.7m of 2019/20 savings / efficiencies are being reported at risk of non-delivery in year. This can largely be attributed to adult social care and commercialisation/facilities management and reflected in the in-year pressures above. This therefore means that for all other areas forecasting a near balanced position for 2019/20 has in part been delivered by use of non-recurring savings and budgets elsewhere within the division. This presents a risk for future years which will need to be addressed in the 2020/21 budget setting process.

Demand and Inflation

- 5.58. As noted above, the population of Bristol is set to continue to increase in the medium and long term. Increased demand and general inflation increases the cost to the Council for providing statutory services.
- 5.59. The pressures on Adult Social Care services have been well reported in local and national media in recent years with Government supporting a review of the sustainability of funding for these services, but the review has been significantly delayed. There are various drivers resulting in financial pressures from increased

demand from ageing population and pressures in NHS services to cost pressures due to increases to living wage and increased public and regulatory scrutiny.

5.60. Across Children’s services, there are 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, this is a growing need across the City to meet this demand.

Special Education (SEND)

5.61. Tackling the pressures facing the High Needs budget and more broadly the delivery of Special Educational Needs and Disabilities (SEND) services is one of our biggest challenges and requires a whole system response.

5.62. In Bristol there is an increasing trend of higher than national average pupils receiving Special Educational Need (SEN) support or have an Education Health & Care Plan (EHCP).

SEND Children Numbers / Year	2,014	2,015	2,016	2,017	2,018	2,019
Children Under Statutory plans / EHCP	1,868	1,574	2,037	2,172	2,241	2,455
% increase / -Decrease		-16%	29%	7%	3%	10%

5.63. SR19 announced a 1 year base funding settlement within the DSG for high needs which reflected a (12% increase of £6m in Bristol), to support children and young people with special educational needs. However the underlying position for High Needs is that the difference between the current level of spending and the pure High Needs DSG allocation for 2019/20 results in a shortfall of £5m excluding cost inflation or any increase in demand. This is insufficient to meet the historic budget pressures within the DSG and does not reflect the statutory requirements within the general fund.

5.64. Demand is a whole system issue and below are a few examples of areas of pressure:

- Demand concerning Statement to EHCP transfer process
- Demand for health assessments
- Demand for local specialist provision in excess of capacity
- Demand for inclusion service support
- Demand for specialist services including statutory and non-statutory EP services
- Demand for SEHM support in schools
- Transport demand

5.65. Demand on High Needs Funding examples below:

- Increase in no of EHCPs
- Increase in ALP and post 19 demand
- Growth in HN not sufficiently funded
- Limited flexibility in transferring resource from other DSG funding blocks
- HN projection 2019/20 - £5m deficit
- 2020/21 limited growth and no funding for legacy deficits

5.66. In October, Bristol had its Ofsted / Care Quality Commission (CQC) Inspection to which the report is awaited. If we fail to respond effectively in implementing the recommendations identified in the inspection, we will not be able to meet our statutory duties and vulnerable children will be at risk. Funding will need to be identified from a range of sources within the various budgets to enable the appropriate investment to be made in responding to the immediate challenges and resourcing of the improvement programme.

Pension Changes

5.67. The decisions of the Court of Appeal in the Sargeant/ McCloud cases (generally referred to for the LGPS as “McCloud”) have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. At this stage it is uncertain whether or not there will be an issue for the LGPS and its employers, nor is it clear the exact extent would any required changes be. This note sets out some approximate effects of the costs if the transitional protections need to be extended to younger members.

5.68. The Council’s Pension Fund Manager Mercer, have carried out some costings of the potential effect of McCloud as at 31 March 2019, and the results indicates additional past services liability c£13.9m, and additional projected service cost for the year commencing 1 April 2019 to be c£2.8m (equivalent to c1.6% of the current active membership payroll). The fund is also carrying out the pension triennial review, from which any potential gain could offset the pension liabilities mentioned above.

Capital Financing

5.69. Our approach to Capital investment and financing is outlined in full in our Capital Strategy. Our ambitious capital programme of investment has a large impact on the Council’s annual revenue budget, creating long term costs. These 2 areas must be simultaneously reviewed and implications clear in decision making.

5.70. The decisions we take now will influence the demand for services whether we intend them to or not; we will manage demand by ‘design’ or by ‘accident’. The challenges for us are to look at people and their needs in the round. We need to take a long term view to ensure that changes made now mitigate, rather than instigate, the need for public services in the future.

5.71. The pressures outline above are not intended to be an exhaustive list but merely a guide to the emerging key pressures which will need to be considered over the short, medium and long term; during the budget setting process. Below provides an indication of the financial impact of variations to the current key planning assumptions.

Sensitivity to Planning Assumptions

	£'m
Income	
Reduction in Council Tax Collection Rates by 1%	1.8
Reduction in Business Rates Collection by 1%	2.3
Council Tax Growth 1% lower than predicted	2.4
Reduction of 5% from Government Funding Settlement	6.0
Expenditure	
Pay Award 1% higher	1.8
General Contract Inflation 1% higher	2.6
In Year Pressure 2019/20 c/fwd (50% of P6 reporting)	2.0
	18.9

5.72. Should the compound adverse movement of £18.9m occur in all areas with no increased funding, subject to timing of the variance this would either reduce the one off funding available for allocation or represent 95% of the general reserves. The collective probability is considered low.

Reserves

A key strategy of managing the Medium Term Financial outlook is making provision for emerging financial risks. These are risks which are uncertain in their predictability and/or their impact.

We must ensure that our reserves are kept at an appropriate level to enable the Council to be resilient to future shocks, stressors and emergency situations that we may encounter in the future, and plan effectively for our known and potential one-off liabilities.

5.73. In accordance with the existing statutory and regulatory framework, the Chief Finance Officer, is responsible for advising the Council on the level of reserves it should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose and councils should make their own judgements on such matters, taking into account all the relevant local circumstances.

Reserves can be held for three main purposes:

- A contingency to cushion the impact of unexpected events or emergencies – this will form part of General Reserves (previously designated strategic reserve).
- Support for one-off and limited revenue spending, to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this will also form part of General Reserves.
- A means of building up funds, to meet identified spending commitments, known or predicted liabilities. This will form part of the earmarked reserves.

5.74. The level of reserves will be reviewed annually and the principles that will be followed in establishing the reserves strategy are:

- The level of reserves should be sufficient to ensure that the Council can comply with its statutory financial duties of setting a balanced annual budget
- The level of reserves should take into account the known risks over the life of the current financial plan;
- The level of reserves should be capable of covering the estimated financial risk of the local authority, including contingent liabilities and insurance exposure

5.75. Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option; however, it is not prudent for reserves to be deployed to finance recurrent expenditure. CIPFA has commented that local authorities should be particularly wary about using one-off reserves to deal with shortfalls in current funding particularly in a climate of such financial uncertainty.

5.76. Our general reserve policy is that an unallocated general reserve will be retained at between 5%- 6% of the net revenue budget. We currently have a £20m general reserve which is planned to be maintained at this level. The table below illustrates

the movement of the general reserve. Drawdown as approved by Cabinet under P4 2019 Financial Monitoring Report.

Reserve Type	Closing Balance 31.03.2019	Approved Reprioritisation	Forecast Drawdown as per P4 Approval	Est. Closing Balance 31.032020
	£000	£000	£000	£000
General Reserve	(23,258)	58	3,200	(20,000)

5.77. The Council has a requirement, (as reinforced in the new FM Code) to have regard to the long-term sustainability of our services and to ensure that Bristol can meet its future obligations and remains a vibrant, prosperous and safe place into future generations. The MTFP recommends a redirection of funds (value to be determined as part of the budget and subject to affordability) to new reserves. It is also recommended to review the level of funding available for emergency Health & Safety works from the current earmarked reserve.

5.78. Recommended new reserves include the following: (value to be determined as part of the budget setting and subject to affordability assessment)

Climate Emergency Reserve	As noted in previous sections the Council recently declared a climate emergency and funds may be required to meet the future needs to deliver on actions as part of this.
Resilience Reserve	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, e.g. Fairer funding review, Economic downturn, flood resilience, legal risk from judicial review.

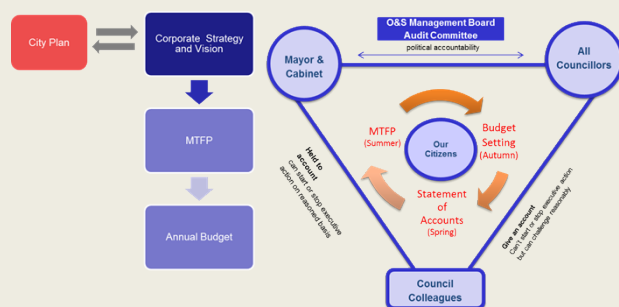
5.79. Table below summarise the Existing Earmarked Reserves (EMR) and estimated drawdown in 2019/20.

Reserve Type	Closing Balance 31.03.2019	Approved Reprioritisation	Forecast Drawdown /(Addition)	Est. Closing Balance 31.03.2020
	£000	£000	£000	£000
City Deal Pooling Reserve	(7,720)	0	0	(7,720)
Public Health	(3,697)	0	140	(3,557)
Substance Misuse	(1,986)	0	0	(1,986)
Stoke Park Dowry	(945)	0	0	(945)
Aggregate of Other items less than £400k individually	(738)	0	260	(478)
Ring-fenced Total	(15,085)	0	400	(14,685)
Business Rate and housing Benefit volatility	(4,330)	629	0	(3,701)
GF Education Conversions	(3,000)	1,524	0	(1,476)
Insurance Fund B/S	(3,076)	0	0	(3,076)
Operational Reserve	(4,426)	1,898	2,110	(418)
Wates Contract Payment mechanism	(2,027)	0	0	(2,027)
Business Risk reserve	0	(2,683)	2,683	0
Other e.g. Further risk & Legal	(1,750)	(860)	(2,800)	(5,410)
Risk Total	(18,609)	508	1,992	(16,109)
Transformation e.g. IT	(4,362)	(372)	2,920	(1,814)
Transformation Total	(4,362)	(372)	2,920	(1,814)
Capital Investment Reserve	(3,330)	(3,450)	5,465	(1,315)
Energy Capital Investment	(10,900)	0	5,900	(5,000)
Harbour Review & Flood Risk Assessments	0	0	(5,000)	(5,000)
Capital Investment Total	(14,230)	(3,450)	6,365	(11,315)
Transport Related	(2,685)	719	1,925	(41)
Development	(1,606)	400	(382)	(1,588)
Future City Demonstrator	(1,449)	451	998	0
Parks Cemeteries & Crematoriums	(1,190)	0	1,065	(125)
Elections Support	(1,095)	0	0	(1,095)
GDPR and Data Information security	(1,091)	200	134	(757)
Street scene	(1,000)	0	1,000	0
ICT Cyber Security	0	(1,000)	1,000	0
Other* See Annex 1 for Detail	(7,042)	1,065	2,447	(3,530)
Service Total	(17,158)	1,835	8,188	(7,135)
IFRS - Grants with no conditions	(3,354)	1,421	0	(1,932)
PFI Sinking Fund	(3,070)	0	0	(3,070)
Troubled Families	(2,980)	0	500	(2,480)
Loan funds	(2,332)	0	0	(2,332)
Technical Total	(11,735)	1,421	500	(9,814)
Total Earmarked Reserves	(81,179)	(58)	20,365	(60,871)

6. Our Financial Principles

The MTFP aims to ensure resources are aligned to the outcomes in the Corporate Strategy. In assessing the financial challenges outlined above it analyses our current position, developing key strategies, and tailors resourcing principles that set the financial context for the Council's resource allocation process and budget setting.

This is a process cycle that involves all internal and external stake holders but seeks to engage the right stakeholders at the right time during that process.



Putting this Strategy into Practice

Our financial principles are formed of three key elements; spending, investment and efficiency. We have rolled forward and adopted a series of guiding principles and good practice to support both the process for determination of the budget and the financial management arrangements for delivery of a balanced revenue budget position.

The capital principles have been developed to enable the Capital Programme resource to achieve the priorities within corporate strategy and will support the development and monitoring of the Capital Programme for 2020/21 and future years.

The detailed resourcing principles that underpin these elements and activities provide the tools for a consistent, transparent approach to the annual budget review.

Spending

- 6.1. We need to ensure that the funds allocated in view of strategic and statutory responsibilities are effectively managed, used prudently and do not via unintended consequences commit the Council to unplanned expenditure.

Investment

- 6.2. In order to continue to deliver core services and the strategic objectives of the Council it will be necessary to diversify the investment portfolio. The principles to underpin the Council's investment strategy are in accordance with the following three themes:

- Investment for sustainable inclusive growth
- Investment to improve and maintain
- Investment to save and generate income

Efficiency

- 6.3. With significant uncertainty around future funding and external influences it is essential the Council continues to develop efficient sustainable services which are

resilient against shocks and also seek to drive value for money. The three themes underpinning this category are:

- Self-sufficient for sustainable finances and service provision;
 - Develop capacity and flexibility in our approach to enable greater resilience to physical, social, and economic changes; and
 - Maximising the overall public benefit from transforming how we use our available assets.
- 6.4. With the scale of the challenge ahead and in addition to the above, should a residual budget gap remain, further measures such as divestment will need to be considered in the context of affordability and the need to set an annual balanced budget.
- 6.5. High level propositions still remain subject to consultation where relevant and consideration of the potential equality or cumulative equality impact. Thereafter it is the role of the Mayor, having due regard to all the details presented and available, to decide on the propositions that will underpin the budget recommended to the Cabinet and Council.
- 6.6. The MTFP will be subject to an annual refresh and themes and principles assessed for effectiveness and on-going relevance.

7. Delivery and Resourcing

- 7.1. In order to convert our MTFP resourcing principles into deliverables, it may be necessary to increase the delivery capacity to support operational teams in business case development and governance at such additional resources may need to be aligned.
- 7.2. We will:
- Procure additional external support to provide the skills and capacity where required.
 - Effectively support a range of themes, adopting a specific focus with clear deliverables aligned to the budget timetable.
 - Move quickly on getting the basics principle right to be able to build on other elements of work.
 - Identify the actual cash streams for efficiencies and income generation within each theme.
 - Design and implement processes to ensure the principles are:
 - Kept under review and remain relevant;
 - Can be applied throughout the medium term;
 - Scaled up as appropriate across new areas; and
 - Knowledge is transferred.

8. Risk Management

- 8.1. Change is happening at an increasing pace and while this brings with it risks, it also offers new opportunities. We will proactively manage risks and opportunities to support delivery of strategic objectives, to improve service delivery, to achieve value for money and reduce unwelcome surprises.
- 8.2. We are continually developing and refining our approach to risk management, in order to provide a more effective response to risks while also embedding risk management across our decision-making processes. We not only consider our own organisational risks, but also a range of broader physical, environmental and global risks that could impact the wider community.
- 8.3. In developing the 2020/21 budget to be presented to Council for approval we will considered the key corporate risks that we face, how we propose to address these risks and financial provisions made.

9. Consultation and Cumulative Equalities Impact Assessment

- 9.1. The Council will continue to strive to deliver efficient services that provide value for money. Any proposals developed by applying these principles will subject to relevant and proportionate internal, external and public consultation. We need to ensure that optimal choices being made are done on a fully informed basis.
- 9.2. The Council's budget planning framework is supported by the development of cumulative Equality Impact Assessments (EIAs) for the budget proposals, identifying possible disproportionate impacts in relation to groups with protected characteristics. The EIAs will also identify potential mitigation where applicable. Where required, specific consultations will also be launched throughout the respective year and made available via the Council's website.
- 9.3. The Council maintains its strong commitment to equality, and the EIAs help us to arrive at informed decisions and to make the best judgements about how to target resources.

Annex 1: Further Detail of Service Reserves under “Other”

Reserve Type	Closing Balance 31.03.2019 £000	Approved Reprioritisation £000	Forecast Drawdown /(Addition) £000	Est. Closing Balance 31.03.2020 £000
Air Quality / Clean Air Part 2 (part 1 under General Reserves)	0	(162)	162	0
Bristol housing festival	0	(150)	150	0
Western Powerhouse / Gateway	0	(50)	50	0
Period Poverty	0	(25)	25	0
Docks Dredging	(0)	0	(95)	(95)
Well Being Projects Fund	(45)	45	0	0
Coroner Equipment Replacement Fund	(59)	0	59	0
Lawn Tennis Association	(61)	0	0	(61)
Safer Bristol Supporting People	(65)	65	0	0
Civic Events	(68)	0	68	0
Early Years - Bristol Standard Reserve	(87)	0	0	(87)
Energy Budget	(150)	0	44	(106)
ERDF	(106)	0	0	(106)
Children’s Services Improvement Plan	(108)	108	0	0
Events Reserve	(109)	24	85	0
High Needs	(113)	0	0	(113)
Deferred Payment agreement 1516 revenue grant	(120)	120		0
Safety camera decommissioning	(120)	0	120	0
Local Development Plan	(150)	0	85	(65)
Bristol Green Capital	(150)	94	56	0
Pest control - Gull Work	(160)	110	50	0
Adoption west	(193)	0	0	(193)
Neighbourhood Partnerships	(210)	0	210	0
Citizen services	(230)	70	160	0
Local Tax - IVR/Universal credit	(240)	240	0	0
Safer Bristol Projects	(297)	0	0	(297)
Strengthening Families	(306)	0	0	(306)
Planning	(350)	11	339	0
Flood & Water Management	(376)	0	0	(376)
Libraries for the Future	(399)	0	76	(324)
Housing Delivery	(468)	84	0	(384)
Bristol Credit Union	(500)	0	500	0
Housing Support	(512)	35	0	(477)
Learning City	(537)	232	0	(305)
Various Corporate Reserves	(751)	213	303	(235)
Grand Total	(7,042)	1,065	2,447	(3,530)

Annex 2: MTFP Principles

Spending Principles

Aligning spend with corporate priorities

- Subject to delivering statutory responsibilities, we will challenge all existing spend in the context of our strategic priorities and consider our legal obligations in providing services.

Being resilient to future uncertainty

- We will be prudent; taking into account the uncertain financial outlook, by building flexibility into future contracting plans and developing exit strategies for all externally funded activities.
- Maintain sufficient reserves and balances to manage risks.

Maintaining sustainable finances as a priority

- No additional spend unless matched by savings or income.
- Implement all endorsed savings and efficiencies
- We will maintain balanced budgets over the MTFP cycle.
- We will undertake a manageable rolling programme of zero-based budget reviews.

Other Principles

- Invest in agreed priority areas
- Grant reductions fully passported

Investment Principles

Capital Programme

- We will operate a clear and transparent corporate approach to the prioritisation of all capital spending.
- We will create a Strategic Capital Investment Group to ensure our capital spending and the delivery of this programme is effectively managed and any material changes are endorsed in order that it can be presented for approval and published at the start of each subsequent financial year
- We will ensure that investments are affordable and sustainable.
- We will ensure the first call for financing will be against external generated resources, e.g. ring-fenced, non-ring-fenced grants, public and private sector contributions. The balance of funding will come from the council's internally generated resources and then external borrowing.

Capital Investments

- Investing for inclusive growth: We will expand its capacity to grow the economy, whilst delivering whole systems solutions to demographic, social and environmental challenges sustainably across the City
- Invest to save and to generate returns: We will expand its capacity to grow the economy, whilst delivering whole systems solutions to demographic, social and environmental challenges sustainably across the City.
- Investment to improve and maintain Council assets: We will improve and maintain the condition of core assets to extend their life where appropriate. The Council will make provision for lifecycle investment to maintain infrastructure to a standard that effectively supports service delivery
- Risk aware: The risks of the project have been fully assessed, consulted, communicated, and are at an acceptable level.

Efficiency Principles

Financial Resilience

Building resilience and reducing dependency

- Enable sustainable and resilient businesses; we will replace start-up grants with start-up or scale-up loans, or alternatively an equity stake offered with business support.
- Level the playing field; provide transparency in subsidies and alignment with strategic objectives.
- Review concessions, with a view to replacing peppercorn rents with fees and charges that transparently recognise the value and importance we place on those services.
- Capital and revenue Investments require returns and these should be about improved outcomes and reduced pressure on the core public budget.
- We will offer pump-priming, pump-priming plus grants, or loans to allow for innovation and development of partnerships that require funding for up to a maximum of three years.
- Low interest-paying loans repaid within 2-3 years will be available as a step down mechanism from long term grants.
- Bristol City Council funded Partnership contributions should be subject to the same level of rigour in contributing to the budget 'gap' as all base budgets.
- Capital investment on non-BCC assets: financed via interest-bearing loan, equity stake (subject to risks assessment), charge to be placed on the asset, or other appropriate mechanism for a return on the investment.

Fraud, Cost Avoidance and Recovery

- We will proactively use data intelligence for successful revenue collection; data cleansing, analytics and technology to locating new payers as well as contacting defaulters and getting the right bill, to the right person, at the right time.
- Through better gathering of evidence at source, and robust calculation of rates to be consistently applied in our charging, we will minimise the need to negotiate and write off invoices.
- We will consider an incentive scheme for information provided at an incident which directly enhances the Council's ability to recover costs, e.g. third party damage to infrastructure.
- Develop a debt management strategy to provide clarity on purpose; develop process that enables us to have a single view of the debtor across all systems, which can then be monitored and more effectively tracked to increase recovery

Balance Sheet Management

- We will actively manage the balance sheet with a view to releasing long-held funds which could be utilised for current priorities and to maximise investment returns within agreed levels of risk
- We will develop protocols for releasing developer funds as planned and for the purpose intended, reducing unnecessary budget growth for increased maintenance and works.

Capital financing, investments and borrowing

- We will not increase the indicative prudential borrowing commitment in the annually approved capital programme unless substituting a current scheme or where the Council can make an evidenced return on investment.
We will be evidence-led; matching projects & delivery to economic reality and benefit realisation.
- Any capital investment decision which involves prudential borrowing must include the cost of servicing the debt and anticipated pay-back period as part of a robust business case.

- Investment to save/grow decisions will only be supported when the cashable cost reductions (or increased income) exceed the financing

Workforce & Productivity

- Develop the right organisational design that enables delivery of Mayoral priorities, including structure, pay and grading framework, and capacity.
- We will invest in the culture, training and development that will deliver a diverse and inclusive workforce for the future.
- The Pay bill should not exceed the annually determined budget percentage.
- We will consider where automation or digital delivery mechanisms are more appropriate.
- Services should fund their own service pressures wherever possible e.g. inflationary uplifts, general inflation (unless there is a contractual agreement that cannot be re-negotiated).

Maximising Asset Utilisation

- Assets held must support a strategic need or offer a net financial return that supports the financial resilience of the Council.
- We will invest in the development of an inventory and valuation system, with clear accounting standards.
- Where it is fit for purpose, we will seek to optimise the infrastructure that we have already invested in.
- The repurposing of the existing infrastructure to allow the Council to deploy for multi-use, e.g. advertising, digital connectivity, with rental income from service providers and from a revenue share on the income they receive.
- We will review restrictive regulation and dysfunctional incentives that encourage waste and low-value use.
- We will ensure all of our assets demonstrate value generation, e.g. no idle assets.
- We will target a minimum IRR of 6.00% over a 10 year period, or less e.g. 4.00% with social value opportunities.

costs of any borrowing needed to fund the investment within the agreed pay-back period for the asset type (to be determined).

Transforming Services

- We will save costs and reduce carbon through smarter use of energy.
- We will seek to leverage optimum funds from our estate including opportunities for pension fund investment where this provides best value.

Smart Technology

- We will optimise the infrastructure that we have available in exploring the 'Internet of Things (IoT) with the objective of reducing our current costs base.
- We will implement a twin track approach; prototyping appropriate concepts with strategy development.
- We will leverage other public and private sector investment for new market developments that transform and future proof services at a reduce costs.
- We will proactively seek a mixed portfolio of quick wins and early adopters to create a revolving fund to support a sustainable programme of longer term developments.

Partnership Working and Earlier Intervention

- We will invest in capacity building in the community, local and regional partners to support delivery of strategic priorities and reduce costs to the general fund.
- We will work with key stakeholders to use pooled arrangements to increase available cash-flow and /or create revolving funds to deliver long term savings which can be redistributed to re-invest.
- Community and third sector partners should be partners in development, not just recipients of funding.
- Capacity building should not be developed to simply mirror what the Council already does with a transfer of the same budget.
- The approach should embrace voluntary effort as well as “not for profit” service delivery.

Financial Sustainability

Fees and Charges

- The introduction of charges for services should have a clear link between user consumption and the financing of that service.
- As a minimum all locally determined charges will be reviewed annually which will include relevant benchmarking information, and increased in line with general inflation, unless it can be demonstrated such an increase will harm service usage levels.
- Services operating on a costs recovery basis, will ensure a calculation is available that determines the total cost of providing the service including overheads.
- Where charges are set in statute but do not fully recover costs we will undertake detailed review of services and where appropriate provide the evidence to the awarding body.
- Council Tax increases will be reviewed annually and only levied where necessary and justifiable.

Third Party Expenditure

- We will organise procurement activity and resources to focus on specific areas of spend (category management approach) and seek to drive greater value in our procurement.
- We will focus on supporting local businesses to improve processes and collaboration to enable them to compete for opportunities within the Council's supply chain.
- We will consider Social Value and sustainability in our procurement activity.
- We will encourage value chain development, whereby collaborating partners can be recognised and reimbursed for their contribution to delivery of outcomes utilising 'payments-by-results' methodology.
- We will utilise outcomes-based commissioning (avoiding perverse incentives) and incentivise with shared benefits and liabilities.

- Market failure: We will intervene earlier where there is a clear rationale to do so, using insight to manage specification and demand.
- Consider a range of opportunities to deliver a return on Strategic and Shareholder Investments, to include creation of value through a wider strategic and outcomes based commissioning.

Entrepreneurial Approach

- We will be more 'Entrepreneurial' in our approach to delivery and commissioning.
- We will actively engaging in market development and market shaping where no such market currently exists and using insight to manage specification and demand.
- We will invest and use our financial strengths and trusted brand to deliver a financial return.
- We will attract alternative investment models to support service delivery, e.g. through social investment.
- We will reassess our expectations of our sector and think big and bold in what we can achieve.
- We will ensure all viable options that create a sustainable asset should be considered in service redesign.
- We will equip staff in selected service areas with the right commercial skills to operate more competitively and generate new income for the council which will support services for tax payers.
- Where viable and appropriate opportunities exist we will create the capacity that will enable a financial return to be delivered.
- We will consider services more appropriate for trading with an agreed return to the general fund.

Affordability

- As a last resort other necessary measures will be considered to ensure a balanced budget can be delivered in each of the financial years; including divestment where non-priority or lower priority outcomes are no longer cost-effective or affordable.

Capital Strategy 2020/21 – 2024/25

1. Background and Scope

- 1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a Capital Strategy to demonstrate how capital expenditure, capital financing and treasury management activity contribute to the provision of desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability.
- 1.2. This Capital Strategy 2020/21 – 2024/25 forms part of the framework for financial planning and is integral to both the Medium Term Financial Plan (MTFP) and the Treasury Management Strategy (TMS). It sets out how capital investment will play its part in delivering the ambitious long term strategic objectives of the Council, how associated risk is managed and the implications for future financial sustainability.
- 1.3. All capital expenditure and capital investment decisions are covered by this strategy, not only as an individual local authority, but also those entered into by the authority under group arrangements. It is refreshed annually in line with the MTFP and TMS to ensure it remains fit for purpose and enables the Council to make the investments necessary to deliver its strategic aims and objectives.

2. Capital Expenditure

- 2.1. In contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services, capital expenditure seeks to provide long-term solutions to Council priorities and operational requirements. Capital expenditure is technically described as: Expenditure on the acquisition, creation or enhancement of 'non-current assets' i.e. items of land property and plant which has a useful life of more than 1 year. Expenditure for capital purposes therefore gives rise to new assets, increases the value or useful life of existing assets or, generates economic and social value and an income stream to the Council via non-treasury investments.
- 2.2. The five aims of the Capital Strategy are:
 - i. To take a **long term perspective on capital investment** and to ensure this contributes to the achievement of Bristol's One City Plan, emerging Local Plan and key strategies such as the Corporate Strategy.
 - ii. To ensure investment is **prudent, affordable, and sustainable** over the medium term and adheres to the prudential code, Treasury Management Code and other regulatory conditions.
 - iii. To maintain the arrangements and **governance for investment decision-making** through the established governance boards.
 - iv. To make the **most effective and appropriate use of the funds available** in long term planning and using the most optimal annual financing solutions.
 - v. To establish a **clear methodology to prioritise capital proposals**.
- 2.3. The MTFP sets out the key principles and this strategy will support the achievement of the right blend of investment in key priority areas to enable the following:

- Investing for sustainable, inclusive economic growth
- Invest to save and to generate returns
- Investment to improve and maintain Council assets

3. Policy Context

- 3.1. A number of significant developments and strategic documents have been established in recent years that will continue to have a major influence on the future shape and approach to capital investment within the City. These include Bristol's One City Plan, Corporate Strategy and the proposals to ensure there is a diverse housing offer for the city including homes that are affordable, the emerging Local Plan and within a wider regional context our role within the West of England Combined Authority (WECA) in terms of transport, skills and inclusive economic growth.
- 3.2. **Bristol's One City Plan** has been developed by many different partners covering almost every aspect of life in Bristol; all have a role in making Bristol a thriving, healthy and more equal city in the future. It is an ambitious, collaborative approach to reach a shared vision for Bristol where no one is left behind. It is recognised that Bristol's successful local economy has not always delivered prosperity evenly across citizens. Increasing economic inclusion will provide a boost to local economic growth and provide sustainability and resilience.
- 3.3. The Council's **Corporate Strategy** 2018-23 sets out the Council's vision and priorities for the City and sets out the Council's role in supporting the One City Plan and the activities based around the following four themes:
- **Empowering and Caring** – Working with the City to empower communities and individuals, increase independence and help support those who need it. Give children the best possible start in life.
 - **Fair and Inclusive** - Improve economic and social equality, pursuing economic growth that includes everyone and making sure people have access to quality learning, decent jobs and homes they can afford.
 - **Well Connected** - Take bold and innovative steps to make Bristol a joined up city, linking up people with jobs and with each other.
 - **Wellbeing** - Create healthier and more resilient communities where life expectancy is not determined by wealth or background.
- 3.4. In addition to the Corporate Strategy there are a number of complementary proposals and emerging plans which will also drive the Capital Strategy and future capital investment. Examples of which are outlined below:
- The Council is currently reviewing its **Local Plan**. The Core Strategy of the Local Plan was adopted back in 2011 and the Council is now considering how Bristol will develop up to 2036. The Local Plan will be updated to set out how the proposed homes will be delivered and show how the Council could exceed current expectations.
 - The Council's **Asset Management Plan** and **Property Strategy** are being developed and the annual review of the Capital Strategy will ensure these are aligned.
 - **West of England Combined Authority's (WECA)** aim is to deliver clean and inclusive economic growth for the region and address some of its challenges, including productivity and skills gaps, the need for more homes and congestion.

- **Joint Asset Board (JAB) / One Public Estate** regional collaboration to use public sector land more efficiently, transform public sector services and strengthen local communities. The JAB links very closely with the West of England Housing Delivery Board.
- The West of England’s **Joint Transport Study (JTS)** sets out an ambitious vision for transport to 2036. A **Joint Local Transport Plan (JLTP4)**, or equivalent WECA infrastructure plan, of transport packages that will transform the travel choices available to residents and visitors is being taken forward by the Council and partners. The Council is a key contributor to schemes set out in the JTS. This will provide transformational infrastructure that responds both to the existing transport challenges, and our Core Strategy growth.
- West of England **Local Industrial Strategy** was co-produced with government and was launched in July 2019. The strategy draws on the strengths of our region and sets out our ambition to be a driving force for clean and inclusive growth.
- **Western Gateway Sub-National Transport Body** is formed by an alliance of local authorities that have made a commitment to work together to drive innovation, maximise economic growth and improve industrial productivity by strengthening travel connections to local, national and international markets.
- **Great Western Powerhouse** - Opportunities are being explored across the West of England and South Wales regions to improve transport connections across the M4-M5 stretch, reduce congestion, speeding up rail journey times, increase trade and investment internationally and focus on creating more opportunities for urban and rural areas with problems of deprivation and low skills to take positive action to address these regional challenges.

4. Capital Investment

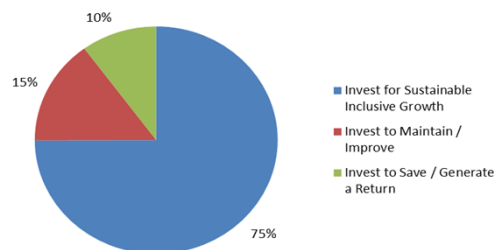


Figure 1 Indicative breakdown of current capital programme

- 4.1. The Council has an ambitious capital programme over the next five years. A significant proportion 75% (82% in the previous year) 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, with only 10% (9% PY) aligned to invest to save schemes such as investing in infrastructure to support delivery of Social Care and Education Services and 15% (9% PY) invest to maintain propositions, undertaking mandatory duties keeping the public safe and maintain our assets.
- 4.2. The aim is to better align to the Council’s strategic objectives, allocate resources effectively across the services provided and strike a balance between the things that make the most difference to residents, customers and businesses.

- 4.3. The Council makes a clear distinction between; capital investments where the achievement of strategic aims will be considered alongside affordability and treasury management investments, which are made for the purpose of cash flow management.
- 4.4. Investment decision must be clearly within the economic powers of the Council and whilst commercial decision will focus on yield, long term capital investment, decision will not be made purely on the basis of financial returns but will also give consideration to economic, social and environmental impact. Notwithstanding that there will be fully externally funded programmes such as those for schools.
- 4.5. The Council will ensure that all of its investments types are covered in its Capital Strategy, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for its non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

5. Principles for Capital Planning

- 5.1. Like most public sector bodies the Council has experienced significant delays in the physical progress of a project against the approved profile and cost over runs. This can be directly linked to the size of the programme, capacity to deliver and over optimism about the prospect of a project in terms of cost, time and external factors outside the sponsor's control.
- 5.2. When capital schemes are approved their inclusion into the capital programme is based on best estimates and slippage is measured against the approved profile at the end of the financial year. The Council will need to ensure that all projects being proposed for inclusion can be delivered within the timeframe and budget stated prior to programme entry. Resource capacity and size of the programme will need to be assessed annually as part of the budget setting process and a range of optimism bias tools that are available should be used in our business case assessments of delivery of major projects.
- 5.3. Delivery of the programme will be overseen by the established governance boards as outlined in section 8. The Council will operate a clear and transparent corporate approach to the prioritisation of capital spending and the MTFP investment principles are set out in more detail in Table 1 below:

Investing for sustainable, inclusive, economic growth	The Council will expand its capacity to grow the economy in an inclusive manner, whilst delivering whole systems solutions to demographic, social and environmental challenges sustainably across the City
Invest to save and to generate returns	The Council will invest in projects which will: <ul style="list-style-type: none"> • reduce running costs (including in alternative service areas) • avoid costs (capital or revenue) that would otherwise arise • invest to generate a financial return (invest to invest).
Investment to improve and maintain Council assets	The Council will improve and maintain the condition of core assets to extend their life where appropriate. The Council will make provision for lifecycle investment (capital and revenue) to maintain infrastructure to a standard that effectively supports long term service delivery.

Risk aware	The risks of the project have been fully assessed, consulted, communicated and are at an acceptable level.
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- 5.4. Where appropriate the Council will invest in latest developments in order to stay at the forefront of service delivery, this includes areas such as Smart Technology, low carbon technology, and environmental sustainability. Where this investment is generated from the Council's own resources the principles above will apply.
- 5.5. The Council owns freehold land across the City where it has granted long leases to Developers and Investors, and from whom we take ground rents of various kinds as investment income. This portfolio generates a revenue return. The return is not a significant element of the net revenue budget and therefore the scale of any associated investment must be proportionate and the risk managed at an acceptable level. In addition to the revenue return the Council receives capital receipts in exchange for restructuring existing lease terms.
- 5.6. Investment properties are regularly revalued to market level under a rolling programme. The top 150 properties by value have a formal valuation report annually. Other properties are valued over a 4-year cycle. In between valuations property indices are used for the lower value properties.
- 5.7. Where appropriate the Council will invest in wholly or partly owned companies where this is the most appropriate means to deliver strategic objectives or for a financial return. The Council may be required to issue Parent Company Guarantees (PCG) or letters of support underwriting activities, these should be considered contingent liabilities, regularly monitored and appropriately risk assessed.
- 5.8. Third party loans may also be requested by a subsidiary and where these are agreed the Council must ensure appropriate interest rates are applied and arrangements are state aid compliant. These arrangements once agreed via the relevant decision making process will be monitored through the Governance arrangements set out in Section 8. Appropriate disclosures will be made in the statement of accounts, including the fair value of such investments.
- 5.9. When entering into investments with financial return as a primary purpose, subject to affordability and sustainability the Council must consider the balance between security, liquidity and yield based on its risk appetite and the exit route from the investment. Bristol has not borrowed for outright investment purposes.
- 5.10. When entering into non-financial investments (financial return is secondary) in addition to the above the Council considers the alignment to its strategic objectives and the contribution , impact the investment could have to a range of outcomes including City growth, social fabric and the environment.
- 5.11. The Council is not overly dependent on profit generating investment activity to achieve a balanced revenue budget. Any shortfall in investment income would be reconsidered as part of the MTFP and seek to ensure that the quality of the long term and secure investments minimises the income risk.

Private Finance Initiative

- 5.12. Private Finance Initiative (PFI) - Although PFI schemes are not shown within the capital programme as they are not financed by capital resources, PFI is a means by which the Council can facilitate major new infrastructure projects. PFI schemes involve partnerships

between the public and private sector to fund public sector infrastructure projects with private capital.

5.13. The Council has three PFI projects associated to 8 Schools and 1 Leisure centre. Under PFI, a private sector contractor agrees to accept the risks associated with the design, construction, operation and maintenance of the asset over the contract term, which is typically for a 25 year period post construction. The public sector partner pays an annual fixed price during the contract term, part of which is subject to inflation. At the end of the term the asset is wholly owned by the Council. The collective annual charge £33m which included £19m of interest and debt repayment costs. The government has provided financial support for PFI schemes by way of PFI credits / grants.

5.14. No additional PFI projects are anticipated and any proposals for refinancing or making material variations to existing contractual arrangements will be fully evaluated and presented to members and cabinet for approval.

6. Funding Capital Investment

6.1. The Council's core capital programme is approved as part of the annual budget setting process, by the Cabinet and the Council and is funded from a range of sources, principally:

- Prudential Borrowing
- Grants
- Capital Receipts
- S106 / Community Infrastructure Levy (CIL)
- Revenue and Reserves.

6.2. The current programme is set out below with an indicative roll forward assumption for cyclical invest to maintain all of which will be reviewed and refreshed in the annual budget setting process, this does not fully include anticipated grant funded projects such as schools and highways.

2019/20 £m		2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
24.943	People	30.336	23.009	20.372	17.900	0.000	91.617
20.386	Resources	10.228	6.591	5.165	5.000	4.000	30.984
136.881	Growth & Regeneration	123.451	73.392	39.898	36.431	2.650	275.822
9.963	Corporate Expenditure	7.933	9.005	9.000	10.000	0.000	35.938
192.173	Total	171.947	111.997	74.434	69.331	6.650	434.359
51.832	Housing Revenue Account	59.003	72.721	53.228	47.301	65.692	297.945
244.005	Total	230.950	184.718	127.662	116.632	72.342	732.304
	Indicative Financing						
67.114	Prudential Borrowing	83.939	54.199	24.891	18.600	2.500	184.129
77.377	Grants	62.062	27.397	25.517	26.331	2.650	143.957
37.391	Capital Receipts	19.031	23.490	18.185	17.500	1.500	79.706
6.392	Developer Contributions	5.765	5.750	5.587	6.900	0.000	24.002
3.899	Revenue and Reserves	1.150	1.161	254	0	0.000	256.311
192.173	Sub-total	171.947	111.997	74.434	69.331	6.650	434.359
	Housing Revenue Account						
	Revenue Contributions to						
11.617	Capital	9.545	13.402	16.027	14.842	Tbc	Tbc
4.818	Prudential Borrowing	15.295	22.974	0.000	0.000	Tbc	Tbc

9.767	Capital Receipts	7.841	9.260	9.459	3.876	Tbc	Tbc
25.630	Major Repairs Allowance	26.322	27.085	27.742	28.583	Tbc	Tbc
51.832	Sub-total	59.003	72.721	53.228	47.301	65.692	297.945
244.005	Total	230.950	184.718	127.662	116.632	72.342	732.304

***2024/25 Figures are indicative and subject to annual budget setting process**

6.3. The first call on available capital resources will always be the financing of any actual over spend on live projects, including those carried forward from previous years.

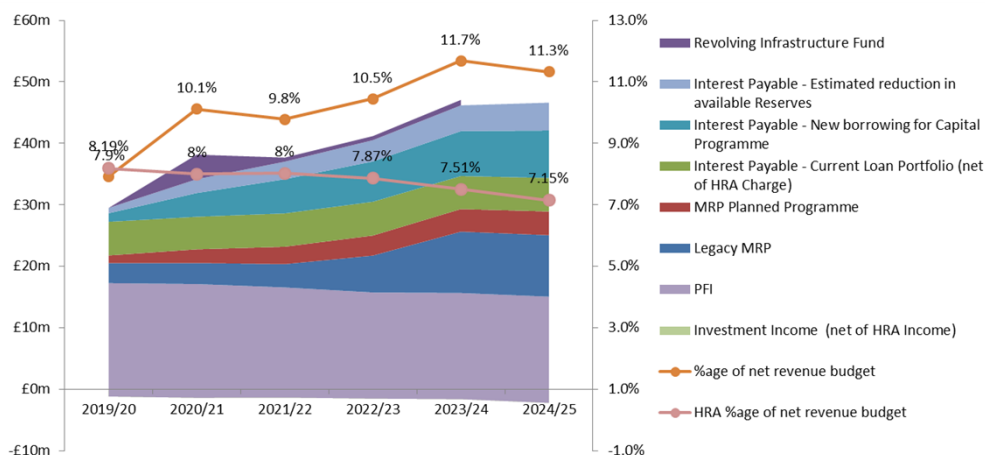
Capital Receipts

- 6.4. Capital receipts come from the sale of the councils assets. If the disposal is within the HRA land or property then not all the receipt is available to support the capital programme as a percentage has to be paid over to the MHCLG.
- 6.5. The current strategy is for the assumed receipts from sale / disposal of assets will be taken into consideration when assessing the total value of receipts targeted to fund the overarching capital programme and planned flexible use of capital receipts.
- 6.6. Where the asset has been temporarily forward funded from prudential borrowing a review will be undertaken to determine whether the most cost effective option is to utilise the receipt to repay the debt, considering the balance sheet position of the council.
- 6.7. Where the sale of an asset leads to a requirement to repay grant the capital receipt will be utilised for this purpose. Once this liability has been established and provided for the residual capital receipt will be available to support the capital programme as a corporate resource.
- 6.8. Following notional achievement of the target capital receipt, the Council can consider foregoing capital receipts for longer term and sustainable income streams through development sites.

Prudential Borrowing

6.9. The Council's TMS sets out how the Council will fund its capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. The management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

6.10. The figure below shows the build-up of the financing cost of the current capital programme.



6.11. In planning for long term capital investment it is essential the long term revenue financing costs is affordable. Over the medium term the costs of borrowing and minimum revenue provision (MRP is set to increase as an overall proportion of the net revenue budget. In developing subsequent capital schemes it will be with a view to move the proportion to less than 10% of net revenue budget.

Developer Contributions

6.12. Significant developments across the City are often liable for contributions to the Council in the form of section 106 or a community infrastructure levy (CIL. The community infrastructure levy is split between 5% for administrative costs, 15% to Area Committees and 80% for strategic infrastructure projects.

6.13. The current Capital Programme assumes a level of strategic CIL each year which is allocated to eligible infrastructure within the programme.

6.14. Following achievement of the target the council can consider further projects with which to utilise this funding stream.

Housing Revenue Account

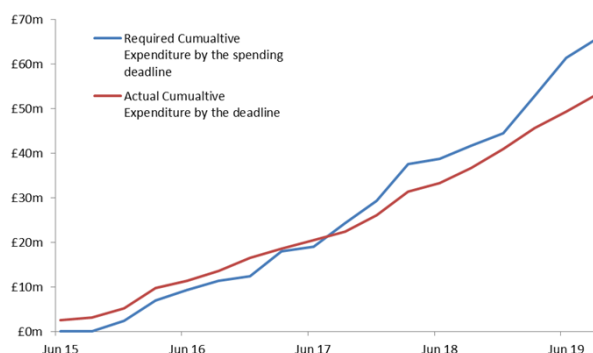
6.15. The **HRA Capital and Revenue Investment Programme** is entirely funded from the ring fenced HRA. It is a rolling five year outlook based on stock condition and planned projects. Key areas of housing investment set out in the Capital and Revenue Investment Programme include planned and cyclical works, mechanical and electrical and heating; accessible homes and repairs. The programme also includes development and special projects. The HRA capital programme is funded from:

- HRA Self Financing (The Major Repairs Reserve)
- Capital Receipts (HRA)
- Revenue and Reserves (HRA)

6.16. Prior to 2018 the HRA had a limit to how much it was allowed to borrow which is tighter than the value of their assets, in order to control public borrowing levels. This was abolished in late 2018. The current programme has an additional £43m of borrowing planned.

6.17. The Council can use right-to-buy receipts to fund up to 30% of building new homes, the receipt must be used within three years, if not the receipt is paid to Ministry of Housing, Communities and Local Government with interest. The removal of the cap means additional borrowing can be used to meet the remaining 70% costs of new home building.

Figure 2: Comparison of required right-to-buy expenditure and actual cumulative spending



6.18. Generally capital expenditure would be funded from capital sources however in exception revenue resources are able to be used to fund capital. The main exception is the use of housing rents to fund capital expenditure within the HRA.

Investments

6.19. The Council invests its surplus cash balances with approved financial institutions predominately, banks, building societies and other local authorities in accordance with the Council's Treasury Management Strategy. These funds support meeting our current and future obligations with regards providing revenue services and delivering the capital programme.

6.20. The authority has investments which are expected to generate a commercial and/or social return. For social investments their primary purposes are to provide service benefits/social impact while the generation of yield and liquidity is secondary. These investments are summarised below:

Investment	Type	Total Investment Agreed £m
Port Company	Share Capital	2,500
Bristol Waste	Loan Capital	12,000
City Fund	Loan Capital	5,000
Bristol Credit Union	Loan Capital	500
Homelessness Property Fund	Loan and Share Capital	10,000
Bristol Energy	Share Capital	37,700
Bristol is Open	Share Capital	350
Severn Community Energy	Share Capital	200
Avon Mutual Community Bank	Share Capital	100
Bristol and Bath Regional Capital	Loan Capital	250
Bristol Old Vic	Loan Capital	793
Total		62,393

6.21. These investments have been funded from a mix of one-off sources. Borrowing has not been undertaken to facilitate these investments.

7. Capital Financing Policies

7.1. This section sets out in more detail how the Council will ensure its investment decisions are consistent with its investment principles and MTFP.

Table 2 MTFP Affordability Principles	
The Council's Prudential Borrowing Commitment	The will explore a range of funding opportunities that enable the Council to gradually move towards the principal of its capital financing not exceeding 10% of net revenue budget.
Substitute schemes	All new capital investments following setting the annual programme will be subject to defined prioritisation criteria and cabinet approval
Evidence based	All projects will require a business case providing a clear statement of the costs, benefits and risk to be realised by the projects which will be subject to proportionate due diligence.
Calculating the return on investment	The business case for an investment to generate a return project or impact funding must: <ul style="list-style-type: none"> • Include the cost of servicing the debt • Commercial investments must demonstrate the ability to achieve a minimum of 6% IRR over a 10 -year period. • Impact investments e.g. social investment must demonstrate the ability to achieve a minimum of 4% IRR or interest over a 10-year period. • The case for investment should demonstrate how the

	investments are returned by the end of the period.
Invest to be efficient and create sustainable services	<ul style="list-style-type: none"> • Cashable cost reductions or increased income must exceed the costs of borrowing over the pay-back period.
Invest to grow projects	<ul style="list-style-type: none"> • Increased income must exceed the costs of borrowing over the pay-back period. • For major developments the increased business rates and council tax income may be taken into account.

7.2. For all projects consideration must be given to the profiled year of entry and whether the scheme can be delivered within the time frame outlined prior to prioritisation for programme entry.

7.3. **Priority 1 Schemes** - priorities for capital investment are schemes that either:

- The Council would fail to meet its statutory obligations if the scheme did not proceed and all other mechanism for funding has been exhausted or;
- The scheme can directly deliver on one or more of the key Corporate Strategy/One City Plan commitments for the next 5 years and is to be 100% funded from external resources (ring-fenced grants or other outside contributions)

and,

- The ongoing revenue implications of the project are contained within the existing service budgets either as a result of secured additional internal /external funding or reduction in cashable revenue costs.

7.4. Only schemes that meet the above criteria will be defined as priority one.

Criteria for other projects – Priority 2 Schemes

7.5. Projects which do not meet the criteria above are defined as priority 2 and may be prioritised depending on their fit based on the criteria set out below. The scoring matrix is to be finalised and will be weighted to ensure that a balance programme can be achieved as outlined in section 2 above. Scores will be indicative and provide a guide for decision making.

- The scheme demonstrably meets one or more of the key commitments in the corporate strategy for the MTFP period measured by objective criteria.
- A need for the specific proposal has been identified in the One City Plan or emerging Corporate Strategy.
- The project will bring about future cashable revenue savings within the wider Council (or cost avoidance where the pressure is built into the MTFP and/or deliver organisation wide efficiencies
- The proposal can be shown to supports the delivery of sustainable / inclusive economic growth and regeneration
- The scheme levers in external support, or attracts additional funding into Bristol, either financial or the Council is working in Partnership with other bodies
- The scheme meets a key service objective in the agreed service plan and failure to provide the scheme would result in a significant reduction of the Council's stated level of priority service and/or greater exposure to risk.

- vii. Provides support to Community Leadership and capacity building develops the locality focus agenda
- 7.6. Loans and Investments in companies which we have material shareholdings are assessed differently, as these are prioritised based on delivery of strategic objectives. When considering these investments the Council will examine the Business Plans available to ensure that the plan and the investment is sound, facilitates the delivery of the long term strategy and wider social, economic and or financial benefits will be received back to the Council and residents in the short, medium or longer term.
 - 7.7. Due to the nature of the assets or for valid service reasons, such investments do not always give priority to security and liquidity over yield. In these cases, such a decision will be explicit, with the additional risks set out and the impact on financial sustainability identified and reported. The appropriate level of due diligence will be undertaken with the extent and depth reflecting the level of additional risk being considered and the Chief Finance Officer will ensure affordability and the proportionality of all investments so that the Council does not undertake a level of investing which exposes it to an excessive level of risk compared to its financial resources.
 - 7.8. The council will be required to monitor company operations and this will take the form of regular performance and financial monitoring reports to Shareholders.

8. Governance of the Capital Strategy

- 8.1. The Capital Programme is agreed annual by Full Council as part of the budget setting process. Variations to the Capital Programme or in-year additions – subject to delegation – will be agreed by Cabinet.
- 8.2. The Capital Investment Board leads on the development and maintenance of the Capital Strategy that is consistent with the relevant code of practice, Corporate Strategy and core regulatory functions, MTFP and Treasury Management Strategy.
- 8.3. The board has an oversight and stewardship role for the delivery of the Council's capital expenditure within affordable limits, which will include both the Capital Programme and capital investments and provide strategic direction to the programme and projects where necessary.
- 8.4. Delivery of the Strategy will be overseen by a joint member/ officer executive delivery board, chaired by the Deputy Mayor Finance, Governance & Performance. These effective governance arrangements will ensure the Capital Programme is effectively managed and for companies that are wholly owned or the Council has a material interest these extend to the Shareholder group. The Delivery Executive Board's role will be to monitor and assess the effectiveness of the capital programme in delivering the Council's strategic objectives. It will also monitor the Council's non-financial investments. It will monitor the appraisal of new investments, ensuring appropriate techniques are used.
- 8.5. All capital investment decisions will be underpinned by a robust business case that sets out any expected financial return alongside the broader outcomes/impacts, including economic, environmental and social benefits
- 8.6. Throughout the decision making process the risks and rewards for each project are reviewed and revised and form part of the monitoring of the capital programme. The Capital Investment Board receives monthly updates detailing financial forecasts and risks.
- 8.7. The governance process for approving capital investments is the same as that for the wider capital programme, with the business case fully reviewed and due diligence undertaken

with external and internal risks associated with the investment explored. The Council will compile a schedule setting out a summary of its existing material investment commitments and regularly update the governance boards on the drawdowns, guarantees, financial return and risks exposure.

- 8.8. There may be occasions when the nature of a particular proposal requires additional support in the production of the business case or for example in performing of a value for money or due diligence reviews. In these circumstances the Council may seek external advice.
- 8.9. The capital programme is reported to Cabinet and Council as part of the annual budget setting process which will take into consideration and material changes to the programme and the investment. The in-year position is monitored monthly, with periodic budget reports to cabinet with capital reports incorporated. Within that monitoring report minor new investment proposals will be included and variations such as slippage and need for acceleration. Major new capital investment decisions will be subject to an individual report to Cabinet.
- 8.10. The formal scrutiny process will be used to ensure effective challenge. Relevant directorate scrutiny commissions will be responsible for providing scrutiny on individual capital projects which fall under their portfolio.
- 8.11. The Chief Finance Officer should report explicitly on the affordability and risk associated with the Capital Strategy. Where appropriate the Chief Finance officer will have access to specialised advice to enable them to reach their conclusions and ensure sufficiency of reserves should risk or liabilities be realised.

9. Risk Management

- 9.1. One of the Council's key investment principles is that all investment risks should be understood with appropriate strategies to manage those risks. Major capital projects require careful management to mitigate the potential risks which can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the capital strategy. All projects are required to maintain a risk register and align reporting to the Council's reporting framework.
- 9.2. In managing the overall programme of investment there are inherent risks associated such as changes in interest rates, credit risk of counter parties,
- 9.3. Accordingly, the Council will ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.
- 9.4. No project or investment will be approved where the level of risk - determined by the Cabinet or Chief Financial Officer as appropriate - is unacceptable.

10. Skills and Knowledge

- 10.1. Appropriate training will be provided to all charged with investment responsibilities. This includes all those involved in making investment decisions such as members of Capital Investment Board as well as those charged for scrutiny and governance such as relevant scrutiny commissions and Audit Committee. Training will be provided either as part of meetings or by separate ad hoc arrangements.
- 10.2. When considering commercial investments, the Council will ensure that appropriate specialist advice is taken. If this is not available internally it will be commissioned externally and appropriate use will be made of the Council's Treasury Management advisers.

Bristol City Council Equality Impact Relevance Check



This tool will identify the equalities relevance of a proposal, and establish whether a full Equality Impact Assessment will be required. Please read the guidance prior to completing this relevance check.

What is the proposal?	
Name of proposal	MTFP and Capital Strategy
Please outline the proposal.	<p>The Medium Term Financial Plan (MTFP) and Capital Strategy are key parts of the Council's financial planning process and set out the Council's strategic approach to the management of its finances and provides a framework within which delivery of the Council's priorities will be progressed.</p> <p>In developing the financial outlook for 2020/21 to 2024/25 various assumptions have been made. These are modelling assumptions and at this point do not constitute a decision. The point at which decisions are made regarding these assumptions a full equalities impact will be undertaken.</p>
What savings will this proposal achieve?	The MTFP and Capital Strategy outline key resourcing principles which support long term planning and don't directly propose any specific savings
Name of Lead Officer	Michael Pilcher

Could your proposal impact citizens with protected characteristics?

(This includes service users and the wider community)

Please outline where there may be significant opportunities or positive impacts, and for whom.

Against the uncertain backdrop of local government financing councils could face a spike in demand for already hard-pressed services such as adult and children's services and support for people at risk of homelessness. The number of vulnerable adults (for example frail elderly people or those with learning disabilities and mental health) and vulnerable children (for example, those with special educational needs and disabilities) and associated cost pressures are all increasing.

The funding position beyond 2020 is very uncertain; not least as the current spending review only covers the period up to 2020/21. The budget planning that has followed models 2020/21 to 2024/25 and incorporate the following specific assumptions:

- Pay award of up to 2.7% for estimated pay awards in future years.
- Increases in Council tax
- Delivery of agreed savings proposals

Assumptions regarding increases in Council Tax are taken each year as part of the annual budget setting process and subject to a specific equalities impact assessment at that point.

Previously approved savings proposals from prior budget setting decisions which include ongoing savings for 2019/20 have been subject to individual equality relevance checks and/or equality impact assessments, with updates where appropriate. These are published on the council's website <https://www.bristol.gov.uk/council-spending-performance/council-budgets>. They will continue to be updated as appropriate.

Any future individual proposals will be subject to their own separate Equality Impact Assessment, consultation and assessment procedures at the relevant time. Decision makers will have the ability to make changes to the individual spending plans following consultation (where necessary) and detailed evaluation of the impact of

proposals.

These increasingly limited resources, we have continued to prioritise services that make the biggest difference to those in greatest need. We are conscious of the impact of council tax increases on Bristol residents. At the same time residents have made it clear they value the services they receive and the environment in which they live and some of those that are able to have indicated that they are willing to pay a little more. That provides a difficult balancing act between council tax increases; income charges; income generation; and service reductions.

The overall budget envelope sets out the monies available for the Council which enables the delivery of the Councils priorities.

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.

Relevance Checks and EQIAs, where necessary are carried out for individual service proposals within the overall budget and individual reports associated to the key funding streams. These are live documents which are updated as more information becomes available as propositions are developed and the latest position is considered by members prior to decision making and will be submitted to Full Council with the overall budget proposals in February.

Please outline where there may be significant negative impacts, and for whom.

See above

Could your proposal impact staff with protected characteristics?

(i.e. reduction in posts, changes to working hours or locations, changes in pay)

Please outline where there may be significant opportunities or positive impacts, and for whom.

N/A – this is determined at a service or directorate level

Please outline where there may be negative impacts, and for whom.

N/A – this is determined at a service or directorate level

Is a full Equality Impact Assessment required?

Does the proposal have the potential to impact on people with protected characteristics in the following ways:

- access to or participation in a service,
- levels of representation in our workforce, or
- reducing quality of life (i.e. health, education, standard of living) ?,
-

Please indicate yes or no. If the answer is yes then a full impact assessment must be carried out. If the answer is no, please provide a justification.

No
Specific Relevance Checks and EQIAs are conducted against individual proposals when related decisions are required.

Director:

Equalities Officer sign-off and date:

Denise Murray 28/10/2019

Arif Gain

28/10/2019



Full Council

17 December 2019

Report of: Monitoring Officer

Title: Proposed Changes to Bristol City Council Procurement Rules

Ward: n/a

Member Presenting Report: Chair of the Audit Committee

Recommendation

(i) That Full Council consider the proposed changes.

(ii) That the Service Director Finance in conjunction with Director – Legal and Democratic Services be authorised to undertake any necessary updates or amendments to reflect changes in the law or to correct errors and/or to finalise drafting of the Procurement Rules and / or supporting guidance.

Summary

To consider the proposed changes to the Council's Procurement Rules and seek formal approval from Full Council.

The significant issues in the report are:

The Procurement Rules establish the formal governance around how the Council procures, enters into and manages contracts with third parties. The main aims of the proposed changes are to introduce a more effective and proportional risk based approach in conducting such arrangements.



Policy

1. The Procurement Rules provide the overarching commercial governance framework for the approach to be carried out when undertaking spend with third parties. It supports the delivery of the Council's wider Social Value Policy that sets out objectives in relation to economic, social and environmental well-being.

Consultation

2. Internal

Principle engagement has been through the Constitutional Review Group.

3. External

n/a

Context

The Rules were last reviewed in January 2018. With the Rules having been in place for a period of over 18 months, it is an appropriate time to review and give consideration to how these changes are supporting effective commercial governance in a proportional and effective manner. The main purpose of the changes proposed is to enable and empower effective procurement and commercial decision-making.

Proposal

- The proposed structure has been re-ordered following a typical commissioning, procurement and contract management cycle taking the reader through the various options, routes to market and related steps in a logical way;
- Replacement of the Commissioning and Procurement Group (CPG) approval and authorisation process in favour of a more streamlined proportional approach, linking to the Council's Schemes of Delegation;
- Improved clarity on the process to be followed in regards to waivers (e.g. approvals to step outside of the set Rules) including clarity on what grounds approvals are made;
- Improved clarity on when the Procurement Rules do not apply;
- Setting out clearer procedural guidance that works alongside the Procurement Rules and avoids unnecessary detail in the Rules themselves, with Procedural Notes relating to: Concessions; Waivers; Late Submissions; Missing /Omitted Information; Acquisition and Commissioning of Art; Bonds and Parent Company Guarantees;
- Setting out details of approach to breaches of the Rules and escalations that would follow;
- Clarify contract variations and contract management;
- Improved clarity on the sourcing approach to be followed, for example, the requirement to source from internal provision in the first instance ahead of considering formal procurement;
- Improved clarity in connection to extreme urgency or emergency situations;
- Raising £15k threshold to £25k to align with Contracts finder, in order to reduce barriers and procurement "getting in the way".

Other Options Considered

4. The Council is legally required to have established rules in relation to the procurement of contracts. The proposed Procurement Rules with this report set out what is considered appropriate for the Council and compliant within the legislative framework.

Risk Assessment

5. Not reviewing the City Council's Procurement Rules would lead to a number of risks:
 - Non-compliance with the Public Contracts Regulations 2015, the Concession Regulations 2016 and the Public Services (Social Value) Act 2012.
 - Failure to exploit the benefits of Social Value for the social, economic and environmental wellbeing of the city.
 - Failure to optimise the delivery of financial savings from successful procurements and commercial opportunities.

Public Sector Equality Duties

- 6a) Before making a decision, Section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must therefore, have due regard to the need to:
 - i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to:
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice and;
 - promote understanding.
- 6b) Limited risks identified in the Equalities Impact Assessment which accompanies this report.

Legal and Resource Implications

Legal

These Procurement Rules constitute the Council's Standing Orders in respect of contracts for the purposes of section 135 of the Local Government Act 1972. Accordingly they must include provision for securing competition for such contracts and for regulating the manner in which tenders are invited. Section 135 allows the Council to exempt from any such provision contracts for a price below that specified and may authorise exemptions from any such provision when the authority is satisfied that the exemption is justified by special circumstances. The Procurement Rules seek to encourage competition and value for money, set out tendering requirements and provide for exemptions and waivers in defined circumstances.

(Legal advice provided by Eric Andrews, Senior Solicitor 31/10/2019)

Financial

The procurement rules are part of the overall finance governance framework. The Council's financial regulations state that all payments for goods, works and services must comply with the Council's procurement rules and approved payment processes.

The procurement rules set out to assure that the Council is achieving best value on its procured expenditure and also to comply with relevant legislation.

(Financial advice provided by Michael Pilcher, Chief Accountant 29/10/2019)

Land

Not applicable

Personnel

Not applicable

Appendices:

- Appendix 1** Revised Procurement Rules
- Appendix 2** Comparison Table of Original Rules (May 2018) to Proposed December 2019
- Appendix 3** Equalities Impact Assessment

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None



THE CITY COUNCIL OF BRISTOL

PROCUREMENT RULES

December 2019

THE CITY COUNCIL OF BRISTOL PROCUREMENT RULES

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SECTION 1 INTRODUCTION

Background

- 1.1. The City of Bristol Council (the Council) is accountable to the public for the way it spends public funds, ensuring efficient, effective and economic delivery of services and maximising the benefits available from the budgets and activity which supports the Council's strategic objectives. These Procurement Rules (the Rules) set out the Rules that must be followed by the Council for:
 - i. The procurement of Supplies, Services or Works and / or,
 - ii. The award of any Concession or license.
- 1.2. The Rules are complemented with supporting Procedural Notes and guidance which must be adhered to unless otherwise approved by the Head of Strategic Procurement and Supplier Relations. These documents will be periodically reviewed and amended in consultation with Legal Services and the Section 151 Officer where appropriate, to reflect changes in law, corrections etc.
- 1.3. In the case of Concessions, reference should be made to the **Procedural Note: Concessions** and the associated Concession Contracts Regulations 2016 (**CCR**).
- 1.4. At the time of formal adoption due relevance to existing legislation was taken into account and would need due consideration on any subsequent related equivalent changes that may occur (e.g. changes in regards to EU status).

General Principles

- 1.5. These Rules constitute the Council's standing orders in respect of third party contracts for the purposes of section 135 of the Local Government Act 1972:
 - i. To ensure that the Council complies with its legal obligations regarding the procurement of Supplies, Services and Works;
 - ii. To ensure that the Council obtains Value for Money and Best Value;
 - iii. To prevent corruption or the suspicion of it;
 - iv. To ensure fairness and equality of treatment of all suppliers, avoidance of bias, favouritism and that fairness can be demonstrated through an audit trail and;
 - v. To promote social value, including the local economy and environmental sustainability, to the extent that it is legally permitted.

- 1.6. All contracts must be let in accordance with:
- i. applicable UK and European Union legal requirements (including the [PCR](#) and [CCR](#) and the principles of transparency, equal opportunity and non-discrimination set out in the Treaty on the Functioning of the European Union ('**TFEU**'));
 - ii. these Rules and the Constitution (including the Financial Regulations and scheme of delegation;
 - iii. on the Council's terms and conditions. Where this is not possible or departure is being considered a clear note on why it is not possible to be noted for audit purposes. Depending on nature of risk / complexity Legal Services shall be consulted ahead of any formal decision.
- 1.7. For all Suppliers or Services procurement related to Financial, Legal or ICT these should not commence without prior approval from the Service Director with responsibilities for those functions.
- 1.8. The Council's procurement process shall:
- i. Comply with the Council's Social Value Policy and associated supply chain standards and initiatives;
 - ii. Seek to reduce disadvantage, advance equality and promote community cohesion as defined in the Equality Act 2010;
 - iii. Make every effort to promote local business including Small and medium-sized enterprises (SME).
- 1.9. No Contract shall be made unless:
- i. There is a statutory power to do so;
 - ii. It can be demonstrated that it represents Value for Money;
 - iii. The necessary authorisation has been obtained in accordance with the Constitution and decision pathway.
- 1.10. In addition, where a procurement is to be undertaken it should:
- i. Ensure that the whole needs of Council are considered and wherever possible taken into account;
 - ii. Take into consideration opportunities to benefit from collaboration or using existing compliant contracts.
- 1.11. In the event of Contracts where the Council is entering into a contract to be funded from the Council's delegated schools grant the Schools Forum must be given an opportunity to comment and give views.

When the Rules do not apply

- 1.12. These Rules do not apply to:
- 1.13. Service contracts excluded under Regulation 10 of the Public Contracts Regulations 2015 (**PCR**), including but not limited to:
 - i. Contracts regarding the purchase or lease of property, acquisition, disposal, transfer of land, or any interest in land which includes licenses (for which the Council's Corporate Land Policy shall apply);
 - ii. Legal costs (including all associated costs and fees) in connection with legal proceedings (including tribunals, inquiries, civil or criminal court proceedings);
 - iii. Treasury Transactions as outlined within the Treasury Management Strategy.
- 1.14. Contracts awarded under the PCR 12(1) (formerly referred to as the Teckal exemption);
- 1.15. Contracts awarded under PCR 12(7) (e.g. establishing or implementing a public contract with another public sector entity).
- 1.16. Contracts for employment which make an individual a permanent or interim employee of the Council (for the avoidance of doubt this exemption does not apply to the appointment of consultants);
- 1.17. Non-contractual funding arrangements (including Grant agreements under which the Council gives a Grant to third parties) provided that the terms of the funding arrangements do not constitute a contract (rather than a Grant);
- 1.18. Specific licencing requirements (such as TV Licence or Public Entertainment Licence) or subscriptions to national organisations (such as the Local Government Association (LGA));
- 1.19. A contract for or on behalf of a school with a delegated budget, where the contract has been procured in accordance with the school's own formal procurement and contractual rules;
- 1.20. Contracts for the execution of either Works or provision of Supplies or Services which must be provided by Statutory Undertaker other than the Council. This includes, but is not limited to, arrangements with a utilities provider, where the Council has no discretion regarding whether Works are required or who must deliver them;

- 1.21. Contracts entered into with others Local Authorities in accordance with the Local Authorities (Supplies and Services) Act 1970, to include the supply of goods or materials and the provision of any administrative, professional and/or technical services;
- 1.22. Disposal of supplies deemed surplus to the Council needs;
- 1.23. The obligation to obtain quotations or tenders would not apply in the situation of social care services and related services (e.g. fostering placements) for vulnerable adults or young people and where there is either,
 - i. the right for the service user choice around provision;
 - ii. a panel or tribunal led placement decision and / or;
 - iii. a judicial review or decision directing the placement.
- 1.24. In the event of a genuine emergency or a major disaster involving immediate risk to persons, property or serious disruption to Council services or significant financial loss, these Rules would not apply to the extent necessary to deal with the immediate risk.
- 1.25. Once the immediate risks of that genuine emergency or major disaster has been duly mitigated, any follow up actions which would typically be subject to these Rules should look to comply with the Rules as soon as practically possible following this.

Waivers

- 1.26. It should be the default position to follow the Rules in all situations. A Waiver is not permissible for any EU Legislation.
- 1.27. Where consideration of a Waiver is considered, the **Procedural Note: Waivers** must be applied.
- 1.28. Notwithstanding the provision for waiver of these Rules, procurements must comply with relevant national legislation and European Union laws.
- 1.29. When considering applying for a Waiver, it must be done in a manner that ensures the best interests of the Council are being secured.
- 1.30. Note that the approval of a Waiver does not preclude the need to formalise any necessary approvals and administration, for example, the creation of purchase orders and a formal contract.

Standards, Breaches and non-compliance

- 1.31. Compliance with these Rules is mandatory.
- 1.32. Those with responsibility for fulfilling their duties in line with the Rules are required to maintain ongoing knowledge and awareness to ensure compliance.
- 1.33. It will be the responsibility of Officers (including those with line management responsibilities) to address non-compliance swiftly and in the most appropriate way according to the circumstances.
- 1.34. Means of reporting concerns can also be raised anonymously in line with the Council's Whistleblowing Policy – [whistle-blowing-policy](#)
- 1.35. Failure to comply with these Rules may constitute a disciplinary matter that may be pursued as appropriate, in accordance with the relevant Human Resources Policy Framework.
- 1.36. A Councillor or Officer must not seek or receive any bribe, gift or inducement of any kind. Any Councillor or Officer who has either been offered a bribe, gift or inducement or is aware or suspects that another Councillor or Officer has been, shall report it to the Chief Internal Auditor or the Director: Legal Services.
- 1.37. If a Councillor or Officer is or could be in a position where somebody with whom they have a family, personal or financial relationship might bid for a contract, they must not be involved in any way in the procurement exercise or seek to influence it. Officers and Councillors shall be aware of the requirements of the appropriate codes of conduct and must declare any direct or indirect interest in accordance with the law and such codes.
- 1.38. Officers should follow the Code of Conduct for Employees and relevant authorisations.
- 1.39. Councillors are not permitted to form part of the process once a procurement exercise is active and must ensure that their actions do not compromise or impact on the due process that has been set out.

SECTION 2 KEY FINANCIAL & PROCUREMENT THRESHOLDS

General

- 2.1. Before undertaking a new procurement, the following approaches should be used in the first instance:
 - i. Use of internal Council service(s);
 - ii. Use of an existing corporate Contract (including Teckal arrangements).
- 2.2. All of the above should take into account the wider principles of these Rules.

Observance of Thresholds

- 2.3. The value for a proposed Contract must be a genuine pre-estimate and must be based on the total aggregated value over the life of the Contract, including any provision for extension(s).
- 2.4. Where there is a requirement for similar Supplies, Services and / or Works, this spend should be aggregated to ensure compliance with the PCR in particular Regulation 6. There shall be no disaggregation of requirements from across the Council in order to avoid the thresholds.

Authorisation and approvals Stages

- 2.5. Approvals and authorisations shall be made at four key stages (Sign Off Approvals):
 - i. Stage 1 – Determining the appropriate Route to Market (Business case sign off)
 - ii. Stage 2 – Confirmation of Award Decision
 - iii. Stage 3 – Contract Variations / Extensions
 - iv. Stage 4 – Benefits Realisation (for Significant Contracts)

Table 1 Key Financial Thresholds & Procurement Procedures

ACTIVITY	UP TO £5k	Over £5k to £25k	Over £25k to £250k or relevant OJEU Threshold	Over £250k or relevant OJEU threshold
Tender process (as a minimum)	Obtaining at least one Quotation (preferably written) where possible from local / SME Supplier	Seeking a minimum of three Quotations where possible with one of the three quotes from local / SME Suppliers	Seeking a minimum of three Quotations where possible with one of the three quotes from local / SME Suppliers or formal compliant tender procedure	Formal compliant tender procedure
Formal Advertising / Publication of opportunity and award	Optional	Optional	Yes Contracts Finder	Yes – OJEU* and Contracts Finder
Contract published on Contract Register?	Not required	Yes	Yes	Yes
Use of electronic Tendering System?	Optional	Optional – unless approach is not taken then eTendering required	Yes	Yes
Application of a Waiver (see Procedural Note: Waivers)	Not required but necessary records to be kept for audit purposes	Not required but necessary records to be kept for audit purposes	Yes – in line with Scheme of Delegation	Yes – in line with Scheme of Delegation
Strategic Procurement and Supplier Relations Service engaged	Optional	Optional	Yes	Yes

Notes:

*Not required for works, concessions or procurements subject to light touch regime below threshold. Where a quotation from a local supplier is not possible, the reasons must be recorded for audit purposes.

Official Journal of European Union (OJEU) Thresholds: <https://www.ojeu.eu/thresholds.aspx> (see “Other Contracting Authorities”). Where possible all quotations should be confirmed in writing for audit purposes.

Table 2 Authorisations, approvals and Contract signatory

VALUE LEVEL	METHOD/APPROACH	AUTHORISATION POINT
Up to £25,000	Relevant means for audit purposes as needed, e.g. emails, etc.	Budget Holder (or Officer delegated by Budget Holder)
In excess of £25,000, but not more than £100,000	1) Formal Authorisation carried out between authorisation points in line with decision pathway	Head of Service (or Officer with authority delegated by the Budget Holder) and Head of Strategic Procurement and Supplier Relations Service (or Officer delegated by Head of Strategic Procurement and Supplier Relations Service)
In excess of £100,000, but not more than £250,000 ■ Note: OJEU Supplies / Services Threshold within this value level	1) Formal Authorisation carried out between authorisation points in line with decision pathway 2) Completion of Officer Executive Decision (OED) form for record of decision (within 5 days of decision)	Service Director (following consultation with the Budget Holder and relevant executive member) and Head of Strategic Procurement and Supplier Relations Service
In excess of £250,000, but less than £500,000	1) Formal Authorisation carried out between authorisation points in line with decision pathway 2) Completion of Officer Executive Decision (OED) form for record of decision (within 5 days of decision)	Executive Director with approval of the Section 151 Officer (with consultation of Head of Strategic Procurement and Supplier Relations Service) and relevant executive member(s)
£500,000 and above, but not more than £1m ■ Note: OJEU Social and other specific services Threshold within this value level	Cabinet Report (Note: OED form required where delegation has previously been approved, e.g. approved route to market but delegation to award)	Cabinet approval
Over £1m ■ Note: OJEU Works Threshold within this value level	Cabinet report (Note: OED form required where delegation has previously been approved, e.g. approved route to market but delegation to award)	Cabinet approval

SECTION 3 KEY PROCESSES AND OTHER CONSIDERATIONS

3.1. The following section provides a summary of key areas to consider when assessing procurement implications and / or undertaking a procurement process.

Due Diligence

- 2.2. Relevant subject matter experts (e.g. service area teams, Legal Services, Finance, IT, Property, Information Security, Data Protection / GDPR, etc.) are to be consulted at appropriate times during the procurement process.
- 2.3. Prior to their involvement in a procurement activity, Officers (including those involved in the development specifications through to being part of an evaluation team) are required to sign a declaration any conflict / interest form, outlining any direct or indirect interest, canvassing and confidentiality matters. The completed form should be retained as part of the Contract records.

Timescales

- 2.4. Documenting specifications clearly and accurately is critical to achieving the right long-term outcomes for the Council so Officers should dedicate sufficient time for this activity.
- 2.5. Timescales for submission of tenders / quotations shall be reasonable, sufficient and proportionate in order to enable suppliers to submit a suitable response in order to facilitate genuine competition and compliance with the relevant PCR requirements.
- 2.6. Where the procurement is a re-tender it is essential to put in place necessary and appropriate time in advance to ensure continuity of service.

Preliminary Market Consultation

- 2.7. Where relevant and proportionate to do so, preliminary market consultation is permitted and encouraged with the intention of informing the procurement process and potential suppliers. Where such consultation takes place, care shall be taken that it is in line with the PCR and in particular Regulations 40 and 41.

Advertising Opportunities

- 2.8. Publishing of quotation / tender opportunities shall be in line with Table 1 Key

Financial Thresholds & Procurement Procedures. The primary means of advertising shall be via Contracts Finder, any associated Portal in connection with the Council default eTendering System and for those subject to the PCR and the Official Journal of the European Union.

- 2.9. Advertising of Contracts subject to the PCR shall be in line with the requirements of the PCR and in particular Regulations 49 and 50 plus Regulation 106 in relation to Contracts Finder.

Procurement Clarifications

- 2.10. Where Quotations/Tenders are placed via the Council's eTendering System, clarifications on the procurement are only permitted via that System.
- 2.11. Discussions with tenderers after submission of a Tender and before the award of a Contract, with a view to obtaining adjustments in price, delivery or content (i.e. post-tender negotiations) is generally not be permitted. If this is considered necessary then advice must be sought from Legal Services.
- 2.12. Planned and structured supplier contact in the form of a Bidder's day or dialogue / negotiation as part of a prescribed procedure are permitted.

Evaluation

- 2.13. Quotations / Tenders will be evaluated in accordance with the evaluation criteria disclosed in the published procurement documents.
- 2.14. In setting criteria and in the evaluation of quotes/tenders, reference should be made to the accompanying evaluation guidance.

Opening of Quotations / Tenders

- 2.15. In line with Table 1 Key Financial Thresholds & Procurement Procedures, Quotations / Tenders are submitted via eTendering System and will be transmitted by electronic means. Quotations and Tenders submitted by electronic means shall ensure that:
- i. evidence that the transmission was successfully completed is obtained and recorded through the system, and;
 - ii. Quotations / Tenders are not opened until the deadline has passed for receipt of tenders.
- 2.16. Quotations / Tenders received after the specified date and time must be assessed in line with **Procedural Note: Late Submissions**.

- 2.17. Where information is felt to be missing or omitted in a Quotation / Tender then reference should be made to **Procedural Note: Missing / Omitted Information**.
- 2.18. Where the electronic Tendering System is not used in relation to a quotation process, an audit trail shall be put in place in order to uphold the principles as set out in the Rules. A record shall be made of the Quotations received including names, addresses and the date and time of opening.

Contract Award

- 2.19. Where a Contract is awarded with a value of above £25,000 the following information shall be published on Contracts Finder: name of contractor; date on which Contract entered into; value of Contract; whether contractor is a SME or voluntary and community vector enterprises (VCSE).
- 2.20. For all Contracts subject to the PCR, Contract Award Notices shall take into account any requirements and conditions around Standstill Period, in line with Regulation 87 and an individual contract report is to be completed in line with regulation 84 of the PCR.

Application of the Light Touch Regime

- 2.21. Under the PCR the Council can apply flexibility to the approach and procedures for certain Services. A list of services to which the Light Touch Regime applies can be found in [Schedule 3](#) of the PCR.
- 2.22. The Light Touch Regime only applies to Contracts over the PCR stated threshold.
- 2.23. Although the use of the flexibility permitted by the Light Touch Regime is encouraged, the principles of the TFEU still apply, meaning that the procurement procedures and the award of Contracts shall be fair, transparent and non-discriminatory.
- 2.24. Application of the Light Touch Regime does not negate requirements to comply with these Rules and follow the Council's formal decision-making process.

Contracts and documentation

- 2.25. All Contracts shall be executed by an Officer with authority to do so under the Council's scheme of delegations.

- 2.26. The use of electronic signatures is permitted provided a process has been established in approval with Legal Service.
- 2.27. Subject to 3.31, a Contract must be executed as a deed when one or more of the following situations exist:
- i. The Contract relates to a construction project (whether a Contract for Works or a Contract for Services) where the overall value of the Works or Services is greater than £500,000;
 - ii. The Contract Value is greater than £1,000,000 and there is a residual implication beyond the Contract term;
 - iii. Where it is particularly complex or high risk;
 - iv. Where it is a mortgage or charge;
 - v. Where it is for the acquisition or disposal of an interest in land;
 - vi. Where it is a release or variation to a deed;
 - vii. Where it is an appointment of a trustee, and/or;
 - viii. Where it is a power of attorney.
- 2.28. There is no requirement for a Contract to be executed as a deed where the Monitoring Officer has determined that a deed is not required.
- 2.29. The formal advice of a Legal Officer must be sought for a Contract that includes one or more of the following features:
- i. Where the Contract Value is greater than the EU Threshold for Services and Supplies and greater than £250,000 for Works;
 - ii. Where it involves financial lease arrangements;
 - iii. Where it is proposed to use a contractor's own terms;
 - iv. Where it is particularly complex or high risk;
- 2.30. Where payment in advance is required then formal written advice of the S151 Officer is also required. In the event of industry standards leading to a common accepted practice of advance payments (e.g. software licences) this would only need to be sought once.
- 2.31. All Contract formalities must be concluded before the supply, service or construction work begins, bar in exceptional circumstances, and then only with the written consent of a Legal Officer. All related parent company guarantees and/or bonds should be delivered in accordance with the Contract.

- 2.32. The Officer responsible for securing signature of the Contract must ensure that the person signing for the other contracting party has authority to bind it.

Contract Extensions and Variations

- 2.33. Unless an existing Contract makes provision for extension of the original term, a Contract must not be extended without confirmation from a Legal Officer that the extension does not conflict with EU and UK procurement law.
- 2.34. Variations to existing Contracts must be carried out in line with the terms of the Contract and in line with the PCR Regulation 72.
- 2.35. Further guidance on variations to Contracts should be sought from the Strategic Procurement and Supplier Relations Service (in conjunction as required from Legal Services).
- 2.36. Guidance on variations under PCR can be found here:

[Crown Commercial Service: Guidance on Amendments to Contracts](#)

Contract Management

- 2.37. Contract management must be an integral part of the consideration when seeking to award a new Contract. This will include establishing dedicated contract managers and contract management systems that are aligned to contract and corporate objectives, Value for Money and performance improvement.
- 2.38. Payments shall be made in accordance with the contract and in a timely manner so as to avoid the payment of any interest charges.
- 2.39. During the life of a Contract, the contract manager must monitor the Contract in line with any approved Contract management framework
- 2.40. If a contractor fails to comply with any of the provisions of a Contract, the contract manager must try to secure compliance. Due records must be kept in regards to Contract failings and any corrective measures put forward. If this is not successful, the matter should be referred promptly to the Strategic Procurement and Supplier Relations Service and their advice sought as to what action should be taken to protect the Council's interests.
- 2.41. Where practicable, all Contracts should contain a dispute resolution procedure. If a contractor raises a dispute which is not clearly within the terms of a contract, the contract manager must not negotiate a settlement until the

claim has been referred to:

- i. A Legal Officer for advice about the Council's legal liability, and,
- ii. The Section 151 Officer for advice about the financial implications.

OTHER MATTERS AND CONSIDERATIONS

Frameworks and Dynamic Purchasing Systems (DPS)

- 2.42. Framework Agreements and DPS can be set up internally to procure batches of similar Supplies, Services or Works which the Council expects to need over a period of time, but has no certainty as to what sort of quantity or details it may require.
- 2.43. All Framework Agreements and DPS must be awarded, set up and managed strictly in accordance with the Public Contracts Regulations 2015.
- 2.44. All call offs must be in accordance with the terms of relevant framework agreement.
- 2.45. In looking to establish a Framework or DPS, due consideration must be given to sub-dividing the contract into lots and the reasoning provided where it is decided that this is not appropriate.

State Aid

- 2.46. State Aid must be considered in situations or circumstances where the proposed arrangement may provide an advantage through state resources on a selective basis to any organisation(s) that could potentially distort competition and / or trade in the European Union (EU).

Provision of Art

- 2.47. Where the Council is seeking to acquire or commission the creation of a unique work of art or an artistic performance then the **Procedural Note: Acquisition and Commissioning of Art** shall be followed.

Bonds and Parent Company Guarantees

- 2.48. As part of the overall due diligence consideration should be taken as to the necessity or otherwise around seeking a Bond or Parent Company Guarantee based on strategic risk. Guidance should be followed in the **Procedural Note: Bonds and Parent Company Guarantees**.

SECTION 4 Roles and Responsibilities

Stakeholder	Role / Responsibility
<p>Director</p>	<p>Directors must:</p> <ul style="list-style-type: none"> - In prior written consultation with the Strategic Procurement and Supplier Relations Service and advice from Legal Services, only approve variations to Contracts where there are financial, legal or commercial implications within their delegated limit of authority, and in accordance with the Public Contracts Regulations; - In prior written consultation with the Council’s Strategic Procurement and Supplier Relations Service and the Section 151 officer, seek approval of the Cabinet to accept any tender other than the first ranked tender evaluated in accordance with prescribed procedures and criteria declared before submission of tenders; - Provide information to the Head of Strategic Procurement and Supplier Relations Service for the maintenance of a contracts register, to include identifying a named contract manager for each Contract awarded;
<p>Strategic Procurement and Supplier Relations Service</p>	<p>Strategic Procurement and Supplier Relations Service must:</p> <ul style="list-style-type: none"> - Provide commercial advice and support to members and all service areas on commercial and procurement matters in accordance with these procurement rules; - Promote the Procurement approach, policies and procedures and initiate appropriate reviews; - Ensure the contracts register is maintained for all Contracts above £5,000; - Approve any: <ul style="list-style-type: none"> o Guidance containing permanent alternative practices to the Procurement Policies and Procedures; o Variations to the Standard Procedure subject to consultation with the Section 151 officer and Legal Officer where there are financial and legal implications respectively; - Initiate the Sign Off Approach and ensure major procurement activity is strategically managed;

	<ul style="list-style-type: none"> - Designate a Procurement Officer in consultation with Directors and ensure appropriate training is given and appropriate systems are in place and observed for the proper discharge of the procurement activity. - In addition to any other responsibilities set out in these Rules, Section 151 Officer shall: <ul style="list-style-type: none"> o Conduct financial appraisals of organisations where required, including advising on the most appropriate form of financial assurance; o Make payments from the Council's funds upon the receipt of proper original, certified copy or valid electronic VAT invoices that have been checked, coded and certified by the Service. Details of the rules applying to payment of suppliers are set out in the Council's <u>Financial Regulations</u>. o Standard payment terms are 30 days from date of an undisputed invoice. Any variation to this must be approved by the Section 151 officer.
<p>Mayor and Councillors</p>	<p>The Mayor and Councillors make strategic decisions over the budgetary and policy framework within which procurement plans are developed and implemented.</p> <p>Decisions to approve procurement processes leading to the award of Contracts that constitute Key Decisions can only be made by the Mayor, or other body or individual delegated this authority, as prescribed in the Council's Constitution.</p> <p>Where a Key Decision is made, the Mayor and Cabinet will generally authorise the procurement process to be followed and delegate the Contract award to the relevant Executive or Service Director.</p>
<p>Officers</p>	<p>Officers responsible for purchasing and the relevant Director must:</p> <ul style="list-style-type: none"> - Comply (and ensure that any agents, consultants and contractual partners acting on their behalf also comply) with these Rules, the <u>Financial Regulations</u>, the <u>Constitution</u> and with all UK and European Union legal requirements; - Comply with all of the obligations set out in the Procurement Guidance and have regard to all other aspects of the Procurement Guidance;

	<ul style="list-style-type: none"> - Ensure compliance with the requirements of the Public Services (Social Value) Act 2012 and the Council's Social Value Policy; - Agree annual service procurement plans for their directorate. These plans should be considered and approved by the appropriate Procurement Officer for that service area before the start of each financial year. The plans should detail existing Contracts / spend, pending Contract renewals and any new Contract / spend identified for the coming year. In drawing up these procurement plans the Director should consider: <ul style="list-style-type: none"> • Utilising any internally provided services and corporate Contracts; • Future service projections and known requirements for the year to come, including potential regulatory changes; • Current and future budgetary considerations; • Links to the corporate plan and directorate business plans and how the objectives set out within this document will be supported by the annual procurement plan; - When any employee either of the Council or of a contractor may be affected by any transfer arrangements, ensure that the Transfer of Undertakings (Protection of Employment) (TUPE) and pension issues are considered and that legal advice is obtained before commencing the procurement procedure; - Consult with the relevant Procurement Officer to establish whether a suitable Contract or external Framework Agreement may exist, before commencing a new procurement project; where internal services are provided or corporate contracts have been procured these will be used throughout the Council; - Ensure that for Contracts in excess of £25,000, all contact with any Bidder during a competitive process is conducted using the Council's e-tendering system
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SCHEDULE 1 – DEFINITIONS

DEFINED TERM	MEANING
“Best Value”	Means arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
“Bidder”	Means any person who asks or is invited to submit a quotation or tender.
“Concession - CSR”	Means Concession as defined under the Concession Regulations 2016
“Constitution”	Means the Council’s Constitution.
“Contract”	Means Contracts that have been set up with the expressed intention of supporting the delivery of Works, Service or Supplies across the whole of the Council.
“Contract Manager”	Means the officer appointed by the relevant Director (pursuant to Rule 3.2.3) with responsibility for managing a particular Contract.
“Contract Value”	Means the whole life value or estimated whole life value (in money or equivalent value) for any purchase (including any extensions available) calculated as follows: (a) Where the Contract is for a fixed period, by taking the total price to be paid or which might be paid during the whole of the fixed period; (b) Where the purchase involves recurrent transactions for the same type of item, by aggregating the value of those transactions over the life expectancy of the Contract; (c) Where the Contract is for an uncertain duration, by multiplying the monthly payment by 48. In regards to calculation estimate of Contract Value for procurement purposes further guidance should be sought from the PCR Regulation 6.
“Councillor”	Means a duly elected Member representing the Council in line with the Council’s Constitution.
“EU Procedure”	Means a procurement procedure required under the Public Contracts Regulations 2015.
“EU Threshold”	Means the Contract Value at which the full requirements of the Public Contracts Regulations 2015 / Concession Contracts Regulations 2016 apply. https://www.ojec.com/thresholds.aspx
“Framework Agreement”	Means an agreement between one or more public bodies with one or more contractors, the purpose of which is to establish the terms governing contracts to be awarded during a given period.
“Grants”	For the purpose of this document Grants shall mean a payment to help the recipient (e.g. charity) to delivery an agreed outcome, but has no contractual basis. In return, the grant funder (e.g. the Council) gets no direct service delivery. A grant is usually provided subject to conditions

	that state how the Grant shall be used (for example to support the wider objectives of the Council in promoting the social, economic or environmental well-being within their communities). Grant funding is usually preceded by a call for proposals. The Grant offer letter will normally set out general instructions as to how this is to be achieved, and any particular conditions in regards to clawback if those wider objectives are not met
“Head of Strategic Procurement and Supplier Relations Service”	Means the lead officer for the Strategic Procurement and Supplier Relations Service, or such other Procurement Officer / Manager with the appropriate delegated authority.
“Key Decision”	Means a key decision as defined in the Constitution.
“Legal Officer”	Means the Director – Legal and Democratic Services or such other Legal Officer with the appropriate delegated authority.
“Local Authorities”	Means Public Sector organisations as defined as Local Authorities in the UK
“Officer”	Means an Officer as employed by the Council with relevant and appropriate authority to act on behalf of the Council.
“Procurement Guidance”	Means the guidance issued by the Strategic Procurement and Supplier Relations Service, together with a number of standard documents and forms, which supports the implementation of these Rules.
“Procedural Note”	Means detailed guidance issued by the Strategic Procurement and Supplier Relations Service, together with a number of standard documents and forms, which supports the practice and the implementation of these Rules.
“Procurement Officer”	Means the appropriate officer for the Strategic Procurement and Supplier Relations Service.
“Quotation”	Means a quotation of price and any other relevant matter (without the formal issue of an invitation to Tender).
“Section 151 Officer”	Means the Director of Finance and Section 151 Officer or such other finance officer with the appropriate delegated authority.
“Sign Off Approval”	Means a series of quality assurance checkpoints through which a procurement project needs to pass prior to approval, publication and contract award.
“Significant Contract”	For the purposes of Rules a Significant Contract shall mean a Contract that is defined in line with the Council's contract management framework (currently under development).

“Social Value”	Public authorities are required, under the Public Services (Social Value) Act 2012 to, when commissioning a public service, consider how the service they are procuring could bring added economic, environmental and social benefits.
“Standstill Period’	Means a period following the notification of an award decision in a contract tendered via the Official Journal of the European Union (OJEU), before the Contract is awarded to the successful Bidder(s) as set out in the Public Contract Regulations 2015 in line with Regulation 87.
“Supplies, Services or Works”	Means Supplies, Services or Works as defined in the Public Contracts Regulations 2015.
“Teckal”	The right to award contracts for Works, Services or Supplies from the controlling authority to the Council Owned company. See the Regulations regulation 12 for more details: http://www.legislation.gov.uk/uksi/2015/102/regulation/12/made
“Tender”	Means a Bidder’s proposal submitted in response to an invitation to tender.
“Treaty on the Functioning of the European Union (TFEU)”	Originating as the Treaty of Rome, the TFEU forms the detailed basis of European Union law, by setting out the scope of the EU's authority to legislate and the principles of law in those areas where EU law operates.
“Value for Money”	Means optimum combination of whole-life cost and quality (or fitness for purpose) to meet the customer's requirement. This includes consideration of Social Value.

KEY LINKS

Public Contracts Regulations 2015

[Public Contracts Regulations 2015](#)

Concession Contracts Regulations 2016

[Concession Contracts Regulations 2016](#)

Public Services (Social Value) Act 2012

<http://www.legislation.gov.uk/ukpga/2012/3/enacted>

Bristol City Council's Social Value Policy

[Bristol CC - Social Value Policy](#)

Internal procedural notes and guidance on Bristol City Council procurement (intranet):

[Commissioning-procurement guidance](#)

Published details on Bristol City Council procurement (external website):

<https://www.bristol.gov.uk/tenders-contract/procurement-rules-regulations>

APPENDIX 2 - Principle Changes / comparison between current Original Procurement Rules (May 2018) and Proposed Procurement Rules (December 2019)

General;

Duplication removed (e.g. duplicated reference to Social Value / Value for Money)

Thresholds added into Tables (see Tables 1 and 2)

New Section added to make reference to Procedural notes and Guidance

New Document Para Reference	Original Document Para Reference	Summary / Comment
Front page		Date amended from May 2018 to December 2019
Page 2		Content page added
Page 3 – Para 1.1		“City Council” and “Rules” added a defined term
Page 3 – Para 1.1(i) and (ii)	1.1.1 / 1.1.2	Minor drafting including defining “Supplies, Services, Works and Concessions”
Page 3 – Para 1.2 to 1.4		Added, which includes details on use of Procedural Notes, acknowledgment of Concessions Regulations 2016, plus any changes in regard to relevant legislation (e.g. EU status)
Page 3 – Para 1.5 (i to v)		Title General Principles added and Minor drafting edits
Para 1.6 to 1.7		Drafting to include reference on alignment of the Rules to Constitution, use of Council Terms and Conditions
	2.1.3 to 2.2	Deleted from original. Also Contract Value for obtaining quotations raised from £15,000 to 25,000.
Section 4	3.1 to 3.4 (3.4.1 to 3.4.3)	Moved (and includes minor drafting updates)– now included in Section 4 Roles and Responsibilities
Table 1	Table 1	Original Table deleted. New and amended Table 1 included under Section 2 and based on thresholds aligned to nature of Activity (as opposed by value in original). New Table sees value raised from £15k to 25K to undertake quotations / tenders, plus brings related Activity that is directed by spend thresholds into one place as opposed to original version that included this in text within / throughout the document, e.g. Contract Published on Contract Register. Also Introduces the requirement for all contracts above £5k to be recorded on the Contracts Register to ensure the ability of the Council to meet Transparency Code
3.42 to 3.45	4.3 to 4.7	Details on Frameworks amended and now included under OTHER MATTERS AND CONSIDERATIONS and awards included in Table 1
	5.1 to 5.4 (Gateway Approvals)	Deleted in regard to Commissioning and Procurement Group (CPG) and now included in Table 2 aligned to Scheme of Delegation (see also 2.5 (i to iv))
1.12 to 1.25	Exemptions and Waivers (section 7)	Section redrafted in regard to clarity on when the Rules wont apply and split out from Waivers now covered in 1.26 to 1.29
1.26 to 1.29	Exemptions and Waivers (section 7)	Waiver details now included in 1.26 to 1.29 and actual detail on the process to be followed updated Procedural Note: Waivers
1.31 to 1.39 (Standards, Breaches and non-compliance)	2.4 to 2.11	Added / amended and strengthened from original
2.1 – 2.2	n/a	Added in regard to approach on application of Rules and

		consideration of use of internal Services in first instance and existing Corporate Contracts
2.3 – 2.4	4.1.1 and 4.1.2	Moved
Table 2		Added to include details on Authorisation in regard to Scheme of Delegation approvals.
Section 3		General Note: Section 3 relates more to overall process and as such details have been taken out and where relevant included in reference to New Procedural Notes, in particular: <ul style="list-style-type: none"> • Late Submissions • Missing / Omitted Information • Acquisition and commissioning of Art • Bonds and Parent Company Guarantees
3.21 – 3.24	n/a	Addition in reference to Light Touch Regime as defined under the Public Contracts Regulations 2015.
3.46	n/a	Addition in reference to State Aid considerations
3.47	n/a	Addition in reference to Provision of Art
Schedule 1 Definitions	Definitions	Update and amended

Bristol City Council Equality Impact Assessment Form

(Please refer to the Equality Impact Assessment guidance when completing this form)



Name of proposal	Update of the Council's Procurement Rules (Dec 2019)
Directorate and Service Area	Resources Directorate / Strategic Procurement and Supplier Relations Service
Name of Lead Officer	Steve Sandercock

Step 1: What is the proposal?

Please explain your proposal in Plain English, avoiding acronyms and jargon. This section should explain how the proposal will impact service users, staff and/or the wider community.

1.1 What is the proposal?

The current Procurement Rules (the Rules) form a key part of the Council's Constitution setting out how the Council tenders and contracts for with third party suppliers. In doing so the Rules Public Contracts Regulations 2015 ('PCR') require:

- non-discrimination
- free movement of goods
- freedom to provide services
- freedom of establishment

General principles of law the following apply in how procurement is to be undertaken:

- equality of treatment
- transparency
- mutual recognition
- proportionality

The objectives and outcomes of the Procurement Rules are to direct how spending is carried out in a transparent and open manner delivering value for money taking into account proportionality and risk.

The Procedure Rules are the overarching framework for how third party spend is procured and managed, and therefore it applies to all those involved in the

tendering and contract management processes for the Council.

The Rules were last fundamentally reviewed in January 2018. With the Rules being in place for a period of over 18 months it is an appropriate timeframe to review.

It should be noted that whilst the considerations around changes to Council's current Rules come at a time of uncertainty around the shape of the UK's future relationship with the EU (e.g. BREXIT) regardless of outcomes in relation to this and timings of any outcomes, the overriding legislative framework will remain predominantly unchanged for a period. As such make changes to the Council's Rules now will likely be unaffected by any outcomes, certainly in the short-term.

Step 2: What information do we have?

Decisions must be evidence-based, and involve people with protected characteristics that could be affected. Please use this section to demonstrate understanding of who could be affected by the proposal.

2.1 What data or evidence is there which tells us who is, or could be affected?

The review and resulting documents take into account the overall principles of the Public Contracts Regulation around transparency and equality. From a process perspective the main stakeholders impacted will be suppliers and contractors in terms of the processes outlined in the overarching framework and how these are applied.

In addition the users of the contracts will also be impacted but this would be part of the overall considerations in how goods, services and works are specified (and protected characteristics would fall into this consideration).

2.2 Who is missing? Are there any gaps in the data?

n/a

2.3 How have we involved, or will we involve, communities and groups that could be affected?

There will be a supporting Communications and Engagement Plan as part of the wider roll out will be to communicate the changes effectively with both incumbent suppliers but also potential new suppliers, either direct with the Council or as part of an extended supply chain with the Council's main suppliers.

Step 3: Who might the proposal impact?

Analysis of impacts on people with protected characteristics must be rigorous. Please demonstrate your analysis of any impacts in this section, referring to all of the equalities groups as defined in the Equality Act 2010.

3.1 Does the proposal have any potentially adverse impacts on people with protected characteristics?

The proposed Procurement Rules provide the foundations to ensure that equality considerations and impacts around protected characteristics are proactively thought off and taken into account in the delivery of the resulting tendering and contracting processes themselves. Compliance with the Rules will be mandatory. In addition there is also clear policy around when / how exemptions to the Rules should be considered.

3.2 Can these impacts be mitigated or justified? If so, how?

The development of the revised Rules has seen considerable consultation undertaken across the Council and reflected in updates of the documents. This includes both direct discussions with key senior managers who would be responsible for applying the new Rules / Procedures, plus with key subject matter experts e.g. Legal, Audit, Finance.

From an external consideration the Strategic Procurement and Supplier Relations Service has taken into account ongoing feedback from suppliers as part of the day to day activity.

In the event that documents are required in different language this would be facilitated as part of any formal procurement.

To support the wider role out there will be a robust communication and engagement plan around the changes, what the expectations are to deliver in line with the new Procurement Rules, and where more information, help and support can be found. This will include supporting information such as webinar, Internet / Intranet access to the documents and guidance plus training and drop-in sessions both for suppliers and Officers / Members.

To ensure fairness and transparency the documents and guidance take into account and comply with the Public Contracts Regulations.

3.3 Does the proposal create any benefits for people with protected characteristics?

Overall the positive impacts are that the Rules provide a framework and supporting guidance promote transparency and probity in how the Council undertakes its business, and by being clear how this is set out it should help reduce reputational damage by the Council's overall conduct. The Rules enable wider Strategic objectives of the Council to be considered as part of procurement arrangement that will enable and maximise overall value for money in how spend is undertaken.

Having consistency in how procurement and tendering activity is undertaken provide a common framework to ensure that equality matters are proactively considered as part of the process from the commissioning stages, through to the actual procurement process and ultimate delivery in the contract itself.

There is additional benefit indirectly through the Rules having due reference to Social Value and the application of the Council's Social Value Policy in how it undertakes contracts with third party suppliers.

3.4 Can they be maximised? If so, how?

Application of Social Value and the measuring of tangible benefits delivered through third party contracts. In addition the Rules set out clear expectations and approach in when and how Local Suppliers are considered as part of procurement processes, and where Local Suppliers are awarded relevant contracts this will in effect as a direct and indirect consequence have a positive on the wider Bristol economy.

Step 4: So what?

The Equality Impact Assessment must be able to influence the proposal and decision. This section asks how your understanding of impacts on people with protected characteristics has influenced your proposal, and how the findings of your Equality Impact Assessment can be measured going forward.

4.1 How has the equality impact assessment informed or changed the proposal?


The application of the Procurement Rules should include delivery of third party contracts that have tangible and measurable outcomes to Social Value that sets out social, environmental and economic benefits to communities in and across Bristol.

4.2 What actions have been identified going forward?

As per 4.1 and 4.3

4.3 How will the impact of your proposal and actions be measured moving forward?

A performance and reporting framework for the Strategic Procurement and Supplier Relations Services is to be put in place which will support the overall measures around delivery under the Rules. This will include contracts with local suppliers and numbers of contracts that are waived and tangible benefits returned in regards to Social Value.

Service Director Sign-Off:  Denise Murray	Equalities Officer Sign Off: <i>Reviewed by Equalities and Community Cohesion Team</i>
Date: 13/11/2019	Date: 11/11/2019

Full Council

17 December 2019



Report of: Monitoring Officer

Title: Policy and Budget Framework Procedure Rules

Ward: Citywide

Members presenting report: Chair of the Audit Committee

Recommendation

To approve the revisions to the Policy and Budget framework procedure rules as set out in the report.

Summary

The report sets out a number of amendments to the Policy and Budget Framework Procedure Rules within the Constitution. These are listed below for consideration and approval by Full Council.

The policy and budget framework procedure rules set out the development of the policy framework and the budget

The proposed changes seek to add clarity to the document to make sure it is aligned with current Council practice.



Consultation

Internal

Audit Committee

External

Not applicable

Changes

Below lists those list of proposed changes to the policy and budget framework procedure rules. A full revised version of the Policy and Budget Policy Procedure Rules is included in Appendix A.

Section	Changes
Article 4	<ul style="list-style-type: none"> • Policies revised to incorporate MTFP and Capital Strategy – in recognition that these can be detached from the budget
PBR2 Process for developing the framework	<ul style="list-style-type: none"> • Added clarity on what is expected to be published with three months notice for changes to the policy framework. Requires the Mayor to set out a timetable for making proposals to Full Council for any changes with three months notice which also sets out arrangements for any proposed consultation on the changes. • (e) – (h) – Added further detail on process of different options available to Full Council when considering proposals within the policy framework.
PBR3 Process for developing the budget	<ul style="list-style-type: none"> • (1) adjusted to reflect current statutory requirements of the budget setting • Added (3) regarding involvement of OSMB or delegated subgroup in developing the budget • (4) Disaggregate budgetary proposals from council tax options and for major proposals consultation where necessary individually or collective • Added (6) regarding OSMB ability to seek updates from Cabinet Members, Board members, and senior officers of Council and subsidiaries on progress and changes in their areas.
PBR4 Procedure at the budget fixing meeting	<ul style="list-style-type: none"> • Add paragraph on the current practice of each party group' response to the budget and chair of OSMBs presenting comments on behalf of the committee. • (9) Added clarity on the approval requirements of each amendment vote, i.e. simple majority. • (10-12) Added clarity on amendment process through to acceptance or not of the amended budget • (13-16) Added clarity on the Second Council meeting, statutory requirements • (18) Added clarity on need to seek authority for in year changes within the budget report
PBR5 Overall budget and level of Council Tax	<ul style="list-style-type: none"> • Section removed as requirements – performance measures are

Section	Changes
	now incorporated in the business plan
PBR7 Urgent Decision outside the budget and policy framework (Now PBR6)	<ul style="list-style-type: none"> • In making decisions outside the budget and policy framework where it isn't possible to convene a meeting of Full Council, agreement that the decision is a matter of urgency leaders of political parties covering two thirds of elected members is replaced with chair of Overview and Scrutiny Management Board • Added that the consent of the Chair of OSMB be noted on the record of decision.
PBR8 Virement and Supplementary Estimates (Now PBR7)	<ul style="list-style-type: none"> • Specify when supplementary revenue estimates will be required and what level of variation is reserved to Council e.g. variation to approved policy level of reserves • Added (c) Specify when supplementary capital estimates will be required and what level of variation is reserved to Council e.g. variation to approved policy level of reserves • Added (d) Council approval where significant implications for future years budget
PBR9 In year changes to the policy framework(Now PBR8)	<ul style="list-style-type: none"> • Added (e) the Monitoring Officer and Chief Finance Officer agree changes are not in accordance with the Councils budget.
PBR10 Call-in of decisions outside the budget and policy framework (Now PBR9)	<ul style="list-style-type: none"> • Added reporting back to OSMB where Monitoring Officer and Chief Finance Officer conclude a decision was not outside the budget and policy framework. • Added clarity on the outcome if Full Council is unable to make a decision with regard to the decision or proposal.

Other Options Considered

None necessary

Risk Assessment

None necessary

Legal and Resource Implications**Legal**

Local authorities are under a statutory obligation to keep their Constitutions up-to-date (s.9P Local Government Act 2000). Under the Council's Constitution, this duty is discharged by the Monitoring Officer (Article 16.01).

Legal advice provided by Nancy Rollason, Head of Legal Services**Financial****(a) Revenue**

Not applicable

(b) Capital

Not applicable

Land/Property

Not applicable

Human Resources

Not applicable

Appendices:

Appendix 1 - Policy and Budget Framework procedure rules

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None

POLICY AND BUDGET FRAMEWORK PROCEDURE RULES (PBR)

CONTENTS

Rule	Reference
Framework for executive decisions	PBR1
Process for developing the framework	PBR2
Process for developing the budget	PBR3
Procedure for the budget setting meeting	PBR4
Decisions outside the policy & budget framework	PBR5
Urgent decisions outside the Policy or budget framework	PBR6
Virement and supplementary estimates	PBR7
In-year changes to policy framework	PBR8
Call-in of decisions outside the policy or budget framework	PBR9

POLICY AND BUDGET FRAMEWORK PROCEDURE RULES

PBR1

1. The framework for executive decisions

The Full Council will be responsible for the adoption of its Policy and Budget framework as set out in Article 4. Once a budget or a policy framework is in place, it will be the responsibility of the Mayor to implement it.

PBR2

2. Process for developing the framework

The process by which the Policy and Budget framework shall be developed is:

- (a) By a date designated by the Mayor, where a plan that forms part of the Policy and Budget Framework needs to be adopted, the Mayor will include in the forward plan a timetable for making proposals to the Council for the adoption of any strategy or plan that forms part of the framework, and its arrangements for consultation pre or post the publication of those proposals. This will be published at the council's main office and also available on the council's web page - www.bristol.gov.uk. The Chair of Overview and Scrutiny Management Board will also be notified.

The designated date referred to in paragraph (a) of these Rules shall be three (3) months unless the Mayor considers that there are special factors that make this timescale inappropriate. If he/she does, the reason shall be stated in publicising the Forward Plan in accordance with paragraph (a) of these Rules and shall inform Overview and Scrutiny Management Board of the time for response when the initial proposals is referred to it.

Notice required - 3 months

The Mayor will draw up proposals having regard to representations made and these representations shall be reflected in any report dealing with them. If the matter is one where an overview and scrutiny committee has carried out a review of policy; then the outcome of that review will be reported to the Mayor and considered in firming up the proposals for submission to the Council.

- (b) The Mayor may consider whether to refer the initial proposal to an overview and scrutiny committee for advice and consideration. In this instance, the proposals will be referred to the chair and members of the relevant overview and scrutiny committee to look at particular issues and bring forward recommendations for consideration to help the development of a strategy or plan that forms part of the Policy and Budget framework. The overview and scrutiny committee can canvass the views of

local stakeholders if it considers it appropriate in accordance with the matter under consideration, and having particular regard not to duplicate any consultation carried out by the Mayor. The overview and scrutiny committee shall report to the Mayor on the outcome of its deliberations. The overview and scrutiny committee shall have **not less than four weeks** to respond to the initial proposals referred to it unless as outlined in paragraph (a) the Mayor considers that there are special factors that make this timescale inappropriate.

Notice required - 4 weeks

- (c) Having considered the report of the overview and scrutiny committee, the Mayor, if he/she considers it appropriate, may amend his/her proposals before submitting them to the Full Council meeting for decision. In that report the Mayor should reflect how he/she has taken into account the deliberations of the overview and scrutiny committee.
- (d) In reaching a decision the Council may:
 - (i) adopt or approve the strategy or plan;
 - (ii) ask the Mayor to reconsider; or
 - (iii) 'in principle' amend the strategy or plan itself.

Pursuant to (i) this will include the submission (where required) to the Secretary of State or any Minister of the Crown for approval.

- (e) If the Council accepts the recommendation without amendment the Council may make a decision which has immediate effect. Otherwise it may only make an 'in principle' decision. The decision will be made on the basis of a simple majority of votes cast at the meeting.
- (f) If the Council rejects the recommendations or approves ('in principle') alternative recommendations, the Mayor will be given instructions requiring he/she to reconsider, in light of the objections to the strategy or plan.
- (g) Where the Council has given instructions in accordance with (f) above, the Mayor will have 5 working days beginning on the day after the date of the Council decision, within which the Mayor may:
 - (i) accept the alternative recommendations agreed 'in principle' by the Council;
 - (ii) submit alternative proposals to the Council; or
 - (iii) resubmit his/her proposals and provide written reason why.

He/she may exercise this right by writing to the Monitoring Officer within the 5 working days permitted or he/she may waive this right by also writing to the Monitoring Officer.

- (h) If the Mayor submits or resubmits proposals under rule (g) the Monitoring Officer will call a Council meeting within a further 10 working days and the Council shall consider these proposals. It shall make its final decision on the matter in that it may approve the proposals of the Mayor by a simple majority of votes cast at the meeting; or approve a different decision which does not accord with the recommendations of the Mayor by a two thirds majority.
- (i) Once proposals are approved, the decision shall be made public in accordance with Article 4, and shall be implemented immediately.

PBR3

3. Process for developing the budget

1. For the purposes of the Constitution, the Budget shall be defined as meaning the process whereby in any financial year, the Mayor submits to the Full Council for its consideration for the following financial year:
 - calculations in accordance with the following areas of the Local Government Finance Act 1992;
 - estimates of the amounts to be aggregated in the calculation of the budget requirement (sections 31A, 31B, 34 to 36A)
 - calculations for determining the council tax requirement for the year and taxation levels for different valuation bands (sections 42A, 42B, 45 to 49, 52ZF, 52ZJ)
 - estimates of other amounts to be used for the purposes of such a calculation;
 - estimates of such a calculation; or amounts required to be stated in a precept under Chapter IV of Part I of the Local Government Finance Act 1992; and a
 - report in accordance with Section 25 of the Local Government Act 2003;
 - report on robustness of estimates and adequacy of the financial reserves.
2. The Mayor will publish in advance a timetable for the Budget. The chair of Overview and Scrutiny Management Board will also be notified. The timetable will be subject to variation dependent upon the timing of the Local Government Finance Settlement and the information available. This will be advised upon by the Chief Finance Officer.
3. Overview and Scrutiny Management Board (or delegated sub group) will receive regular updates on financial matters and performance and may conduct such

research that they wish to enable them to develop opinions and form comments for the relevant parts of the Budget for the forthcoming year and to communicate these to the Mayor and Executive.

4. The Mayor shall publish his/her major budgetary proposals and / or Council Tax options in accordance with the timetable referred to in paragraph (2) above. The Major proposals (where necessary) and Council Tax options shall form the basis of any consultation process or exercise either individually or as a collective and will also be disseminated to the Political group leaders. The proposals may be updated from time to time by the Mayor as further information becomes available.
5. The initial proposals shall be referred, in accordance with the timetable above, to Overview and Scrutiny Management Board for consideration and comment. The Committee shall have such time as the timescale provided for by the Mayor to respond to the initial proposals. Having regard to representations made and comments received from Overview and Scrutiny Management Board on the initial proposals, the Mayor will finalise his/her proposals before submitting them to the Council for consideration and will include within his/her report to Council how he/she has taken into account any comments.
6. Cabinet Members, Board Members and Senior Officers of the Council and its subsidiaries will, during the course of any meetings requested by Overview and Scrutiny Management Board update on the progress and the possible changes and pressures within their areas of responsibility.

Political Process

7. Once the Mayor's budget proposals are noted by the Cabinet prior to submission to Full Council (for the first Council meeting), the political groups and/or any member of the Council, can chose to prepare an alternative budget or amendments. The Finance function will specifically assign a senior finance officer to each political group to support this exercise.
8. Consistent information will be made available to all groups but discussions and requests for supplementary information within the groups are confidential to that group. If similar requests are made by more than one group, officers will take steps to ensure there is no duplication of effort, whilst maintaining group confidentiality.
9. The alternative budgets / amendments produced must have the effect of providing the Council with a "balanced budget" as determined by the Chief Finance Officer. Following which a budget motion can be submitted for presentation to Full Council
10. The process outlined above reflects historic practice; however failure to comply with the process outlined in paragraphs (7)-(9) will not in any way

invalidate the budgetary process and this convention is not enforceable by the Council or any Political party in any manner.

PBR4

4. Procedure for the budget fixing meeting

(1) A meeting of the Full Council will be held in February or March in each year:

- (i) to approve the civic budget;
- (ii) to pass the statutory resolutions in respect of the council tax including provision for collection of precepts, charges and other items included in the council tax or local taxation for the following financial year (i.e. the year commencing on 1 April after the budget meeting).

Publication of the civic budget:

(2) The civic budget prepared by the executive will be published not less than **fifteen** clear working days before the date of the budget fixing meeting.

Notice Required - 15 clear working days

(3) At least 6 working days prior to the first council meeting any political group and/or any member of the Council shall advise the Monitoring Officer of any alternatives to the Mayors proposals which are to be included in the agenda and presented at the first council meeting. Such requests shall detail the alternative/referral and must have the effect of providing the Council with a “balanced budget” as determined by the Chief Finance Officer. Any alternative proposals submitted will be circulated to all Councillors 4 working days before the first council meeting.

Notice Required - 6 clear working days

Procedure at the budget fixing meeting:

(4) The Mayor will open the budget speech by moving: “That the proposed civic budget be approved”. Once the motion has been seconded each party group will be given the opportunity to respond to the budget proposals in order of size of group and the Chair of Overview and Scrutiny Management Board will then be given an opportunity to present comments on behalf of the Committee. The Council may:-

- a. Adopt the Mayor’s proposals as presented
- b. Consider the previously advised alternative proposals (referred to in 3 above) as a request for a referral back of the proposals to the Mayor for consideration.

Amendments to the proposed civic budget:

- (5) Once the motion has been seconded, any political group / member of council may move an amendment to the motion that the proposed civic budget be approved provided that:
 - (i) The alternative budget / amendments to be proposed is in accordance with paragraph (3) above.
- (6) When considering the alternative budgets referred to in 3 the Council shall consider each alternative budget/amendments presented by the political group/council members individually in order by which they were submitted. Each alternative budget proposal/amendment shall be moved and if seconded shall be debated.
- (7) There will be a time limit on the length of speeches and at the conclusion of the debate on that individual motion the Mayor will respond to each alternative budget / amendment and sum up, before it is voted on.
- (8) A vote shall be taken as to whether the Council wishes to refer that alternative proposal to the Mayor for consideration and the vote on each amendment is carried on a simple majority of those voting. This process shall apply to each alternative budget proposal / amendment in turn. No amendments to the alternative budget proposals / amendments shall be allowed.
- (9) As the amendments are voted on, the Lord Mayor will be advised as necessary if certain amendments effectively “fall by default” due to an earlier amendment(s) being carried. Once all amendments have been voted on, after consultation with the Chief Finance Officer the Lord Mayor will confirm the position as necessary in terms of which budget amendments were carried.
- (10). If the budget is amended, the Mayor will have 5 working days beginning on the day after the date of the Council decision, within which the Mayor may:
 - (i) accept the budget as now amended; or
 - (ii) submit alternative proposals to the Council; or
 - (iii) resubmit his/her proposals and provide written reason why.
- (11) If the Mayor decides to accept the amended budget, he/she may exercise this right by writing to the Monitoring Officer within the 5 days permitted or he/she may waive this right and indicate this to the meeting and the Monitoring Officer accordingly.
- (12) In the event that no budget amendments were carried or following acceptance of

the amended budget, the budget recommendations (including amendments carried) can be put to the Council for a decision. The Lord Mayor (seconded by Deputy Lord Mayor) will then move that Full Council note the Chief Finance Officer's statement as required under the Local Government Act 2003 and will invite the Monitoring Officer to put the question on the motion that the civic budget (amended or not) be approved on a simple majority of votes cast at the meeting and the Council's decision will be publicised in accordance with Article 4.

- (13) Where the Council resolves to refer proposals back to the Mayor for re-consideration or Mayor in accordance with (11) above proposes to submit or resubmit proposals, the Monitoring Officer shall as soon as practicably possible summons a Second Council meeting to consider:-
- (a) the Mayor's proposals following the referral back from the First Council meeting;
 - (b) adopting (with or without modification) the proposal;
 - (c) such decisions required to comply with statutory requirements and/or Ministerial/ Governmental guidance/requirement as advised by the Chief Finance Officer
- (14) At the Second Council meeting, the Council must take into account the reasoning put forward by the Mayor in considering his/her re-submitted budget and consider whether it wishes to approve an alternative budget to that now proposed. If an alternative budget is proposed it must be approved by a 2/3rds majority in order to be adopted.
- (15) At the Second Council meeting, the Chief Finance Officer will advise the Council of the minimum decisions and resolutions the Council must make at that meeting as required to comply with statutory requirements.
- (16) There will be no time limit on the length of this second meeting and the Council shall continue to meet until such matters as the Chief Finance Officer advises that the Council is required to make decisions in accordance with 13(c) above are determined. (Note: An example of a requirement to pass a resolution in law may include the setting of a lawful budget by a certain date, or the determination of the Council Tax). The Council shall at that meeting make its final decision on the matter on the basis of a simple majority and will continue until it is. The decision shall be made public in accordance with Article 4, and shall be implemented immediately.
- (17) On the approval of the civic budget, the Mayor will move the adoption of the statutory resolutions in respect of the levying of council tax or other local taxation for the ensuing year including the provision for the collection of precepts, charges and other items included in the council tax or other local taxation.

- (18) In approving the civic budget, the Council will also specify the degree of any in-year changes to the Budget which may be undertaken by the Executive, over and above the rules in paragraphs associated to PBR 7 and 8 of these Rules (virement, supplementary estimates and in-year adjustments). Any other changes to the Budget are reserved to the Council.

PBR5

5. Decisions outside the budget or policy framework

- (a) Subject to the provisions of paragraph PBR 7 (virement and supplementary estimates) the Mayor, individual members of the executive and any officers, area committees or joint arrangements discharging executive functions may only take decisions which are in line with the Policy and Budget Framework. If any of these bodies or persons wishes to make a decision which is contrary to the framework, or contrary to or not wholly in accordance with the budget approved by the Full Council, then that decision may only be taken by the Full Council, subject to PBR 7 (urgent decisions) below.
- (b) If the Mayor, individual members of the executive and any officers, area committees or joint arrangements discharging executive functions want to make such a decision, they shall take advice from the Monitoring Officer and Chief Finance Officer as to whether the decision they want to make would be contrary to the Policy and Budget Framework, or contrary to or not wholly in accordance with the budget. If the advice of either of those officers is that the decision would not be in line with the existing budget and / or Policy and Budget framework, then the decision must be referred by that body or person to the Full Council for decision, unless the decision is a matter of urgency, in which case the provisions in paragraph PBR 7 (urgent decisions outside the Policy and Budget framework) shall apply.

PBR6

6. Urgent decisions outside the budget or policy framework

This procedure covers decisions contrary to the Policy and Budget Framework and contrary to or not wholly in accordance with the budget.

- (a) The Mayor, an individual member of the executive or officers, area committees or joint arrangements discharging executive functions may take a decision which is contrary to the Full Council's Policy and Budget Framework or contrary to or not wholly in accordance with the financial budget approved by the Full Council if the decision is a matter of urgency. However, the decision may only be taken:
- (i) if it is not practical to convene a quorate meeting of the Full Council; and
 - (ii) if the Chair (or in his / her absence deputy chair) of Overview and Scrutiny Management Board agrees that the decision is a matter of urgency

The reasons why it is not practical to convene a quorate meeting of Full Council must be noted on the record of the decision and the chair of Overview and Scrutiny Management Board consent to the decision being taken as a matter of urgency must be noted on the record of the decision.

- (b) Following the decision, the decision taker will provide a full report to the next available meeting of the Full Council explaining the decision, the reasons for it and why the decision was treated as a matter of urgency.

PBR7

7. Virement and Supplementary Estimates

- a) Steps taken by the Mayor, an individual member of the executive or officers, area committees or joint arrangements discharging executive functions to implement council policy shall not exceed those financial budgets allocated to each budget head. However, such bodies or individuals shall be entitled to transfer a budget allocated to a budget head for a particular purpose to be transferred across budget heads and used for another purpose (**virement**) across budget heads in accordance with the requirements set out in the council's **financial regulations**. Beyond the limits set out in financial regulations, approval to any virement across budget heads shall require the approval of the Full Council.
- b) Where services wish to undertake an activity not originally identified in the approved budget, or there is an overall increase in the cash expenditure of the Council, approval must be sought for a **supplementary revenue estimate** in line with the limits set out in the financial regulations. Supplementary revenue estimates which are to be funded wholly or in part from the approved policy level of general reserves, regardless of value, must be approved by Council.
- c) Where services wish to increase the level of capital expenditure on an existing or new allocation and new external funding is not available or the funding is not going to be vired from another existing allocation, approval must be sought for a **supplementary capital estimate** in line with the limits set out in the financial regulations. Where the funding includes prudential borrowing in excess of the borrowing level agreed in the budget or, are to be funded wholly or in part from the approved policy level of general reserves, regardless of value, must be approved by Council.
- d) Council approval is also required where there are significant implications (as determined by the Chief Finance Officer) for future years' budgets arising from the supplementary estimates.

PBR8

8. In-year changes to policy framework

The responsibility for agreeing the Policy Framework lies with the Full Council, and decisions by the Mayor, an individual member of the executive or officers, area committees or joint arrangements discharging executive functions must be in line with it. No changes to any policy and strategy which make up the framework may be made by those bodies or individuals except those changes:

- (a) which will result in the closure or discontinuance of a service or part of service to meet a financial budgetary constraint;
- (b) necessary to ensure compliance with the law, ministerial direction or government guidance;
- (c) in relation to the policy framework in respect of a policy which would normally be agreed annually by the Full Council following consultation, but where the existing policy document is silent on the matter under consideration;
- (d) which relate to policy in relation to schools, where the majority of school governing bodies agree with the proposed change; and
- (e) which the Monitoring Officer and/or Chief Finance Officer agree is contrary to or not wholly in accordance with the Council's Budget.

PBR9

9. Call-in of decisions outside the budget or policy framework

- (a) Where an overview and scrutiny Board is of the opinion that an executive decision is, or if made would be, contrary to the Policy and Budget Framework, or contrary to or not wholly in accordance with the Council's budget, then it shall seek advice from the monitoring officer and / or Chief Finance Officer.
- (b) In respect of functions which are the responsibility of the Mayor, the Monitoring Officer's report and / or Chief Finance Officer's report shall be sent to the Mayor with a copy to every councillor. Regardless of whether the decision is delegated or not, the Mayor must consider what action to take in respect of the monitoring officer's report and to prepare a report to the Full Council in the event that the Monitoring Officer or the Chief Finance Officer conclude that the decision was a departure from the agreed framework and to the relevant Overview and Scrutiny Management Board if the Monitoring Officer or the Chief Finance Officer conclude that the decision was not a departure.
- (c) If the decision has yet to be made, or has been made but not yet implemented, and the advice from the Monitoring Officer and / or the Chief Finance Officer is that the decision is or would be contrary to the Policy and Budget Framework or contrary to or not wholly in accordance with the budget, the of Overview and Scrutiny Management Board may refer the matter to the Full Council. In such

cases, no further action will be taken in respect of the decision or its implementation until the Full Council has met and considered the matter. The Full Council shall meet within 28 days of the request by the of Overview and Scrutiny Management Board (if there is a forthcoming ordinary meeting of the Full Council the matter will be automatically included on the agenda for that meeting). At the meeting it will receive a report of the decision or proposals and the advice of the Monitoring Officer and / or the Chief Finance Officer. The Full Council may either:

(i) endorse a decision or proposal of the executive decision taker as falling within the existing Policy and Budget framework. In this case no further action is required, save that the decision of the council be minuted and circulated to all councillors in the normal way;

Or

(ii) amend the Council's budget or policy concerned and/or financial regulations to encompass the decision or proposal of the body or individual responsible for that executive function and agree to the decision with immediate effect. In this case, no further action is required save that the decision of the council be minuted and circulated to all councillors in the normal way;

Or

(iii) where the Full Council accepts that the decision or proposal is contrary to the policy framework or contrary to or not wholly in accordance with the budget, and does not amend the existing framework to accommodate it, require the Mayor to reconsider the matter in accordance with the advice of either the Monitoring Officer / Chief Finance Officer.

(d) The Council must take one (or more) of the three decisions set out above before the end of its meeting. If the Council does not, then the Call-In Procedure in relation to that called-in decision will come to an end and the decision may then be implemented.



Full Council

17th December 2019

Report of: Monitoring Officer

Title: Key decision Definition in the Constitution

Ward: N/A

Member Presenting Report: Chair of the Audit Committee

Recommendation

That Full Council agrees that the definition of 'key decision' in the Constitution be amended in accordance with Appendix 1.

Summary

The Audit Committee received a report on 25th November 19 setting out proposed amendments to the definition of 'key decision' in the Constitution and agreed that the changes should be recommended to Full Council for decision.



Policy

1. Responsibility for reviewing the Council's Constitution and making recommendations to Full Council was delegated to the Audit Committee in December 2018.
2. The Audit Committee is a key component of the Council's governance framework. Its function is to provide an independent and high level resource to support good governance and effective public financial management.
3. The purpose of an Audit Committee is to provide those charged with governance with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

Consultation

4. **Internal**
Not applicable
5. **External**
Not applicable

Context

6. The definition of what constitutes a 'key decision' is currently addressed in multiple places within the Constitution. These definitions, whilst similar, are not consistent. The primary purpose of this part of the review exercise was to ensure that there was a single definition in order to remove the current uncertainty around interpretation.

Proposal

7. The definition that is being proposed is attached at Appendix 1 and a tracked change version may be found at Appendix 2.
8. There are some minor amendments in the definition to be considered:
 - 8.1. The current definitions exclude certain expenditure items from the definition of key decision. It is proposed under the new definition that £500,000 will be an objective threshold in order to provide clarity i.e. all expenditure above that level will be a 'key decision.'
 - 8.2. Concession contracts are not covered by the statutory definition; however in practice they are taken to Cabinet if they are above the threshold. A clarification has been added to this effect.
 - 8.3. Whilst the above should reduce the times where this is necessary, the current definition places the final decision with Executive Director, subject to guidance from the Monitoring Officer. In practice it is expected that input would be sought from the decision-maker and this has been reflected in the updated guidance.

Other Options Considered

None necessary

Risk Assessment

None necessary

Legal and Resource Implications

Legal

Local authorities are under a statutory obligation to keep their constitutions up-to-date (s.9P Local Government Act 2000). Under the Council's constitution, this duty is discharged by the Monitoring Officer (Article 16.01).

Legal advice provided by Nancy Rollason, Head of Legal Services

Financial

(a) Revenue

Not applicable

(b) Capital

Not applicable

Land/Property

Not applicable

Human Resources

Not applicable

Appendices:

Appendix 1 – Proposed amendment to definition of 'key decision'

Appendix 2 – Tracked change version of Appendix 1

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None

Appendix 1

Amendment to Article 6 of Constitution

(To replace all other current definitions of key decision in constitution)

Key Decisions are those that meet criteria laid down in legislation and the Council's criteria. Key Decisions will be recorded on the Mayor's Forward Plan of Key Decisions. Details regarding the procedure for Key Decisions are given in the Access to Information Procedure Rules.

The statutory definition of Key Decision is an executive decision, which is likely:

- to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or
- to be significant in terms of its effects on communities living or working in two or more wards in the City.

The threshold at which expenditure or savings will be regarded as significant has been set at £500,000 (see guidance in [INSERT]).

For clarity, the following will also be reported to the Executive:

- Any matters deemed to have a reputational risk to the Council
- Any matter deemed to have significant financial or legal risk
- Any matter relating to cessation or significant change in service delivery or policy direction
- Any matter deemed significant by the Head of Paid Service, the Monitoring Officer, or s151 Officer
- Concession contracts with a value in excess of £500,000

Further guidance on key decisions may be found at [INSERT]

FURTHER GUIDANCE

Calculating the value for the purposes of the threshold

When calculating whether or not expenditure/savings are above the £500,000 threshold, the cumulative value is the relevant amount. Typically this will be the total contract value, inclusive of any extensions e.g. a four year contract with a two year extension period and an annual value of £100,000 will be worth a cumulative value of £600,000 and therefore will require a key decision.

Significant impact on communities

Central government guidance clarifies what is meant by “significant impact on communities”:

- For example a council should regard as key a decision to close a school or carry out road works (such as introducing or altering traffic calming measures) in a neighbourhood, notwithstanding the thresholds of financial significance and that there may be an impact on only one ward.

- Where a decision is only likely to have a significant impact on a very small number of people in one ward or electoral division the decision maker should ensure that those people are nevertheless

informed of the forthcoming decision and sufficient time allowed for them to exercise their rights to see the relevant papers and make an input into the decision making process.

- In considering whether a decision is likely to be significant, the decision maker will need to consider the strategic nature of the decision and whether or not the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality affected. The following should be considered:

- o The effect on communities, businesses and communities;

- o The expectation of the public and councillors as to whether the decision should be taken by the executive;

- o The anticipated interest of the public and of councillors;

- o The effect on other council services and functions.

Who decides if a decision is key?

- It is for the Executive Director to decide which decisions within their responsibility are key, subject to [consultation with the Mayor/relevant Cabinet Member and] guidance from the Monitoring Officer who may require that a decision be treated as a key decision.

Appendix 2

Amendment to Article 6 of Constitution

(To replace all other current definitions of key decision in constitution)

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informed of the forthcoming decision and sufficient time allowed for them to exercise their rights to see the relevant papers and make an input into the decision making process.

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- o The effect on communities, businesses and communities;

- o The expectation of the public and councillors as to whether the decision should be taken by the executive;

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- o The effect on other council services and functions.

Who decides if a decision is key?

- It is for the Executive Director to decide which decisions within their responsibility are key, subject to [consultation with the Mayor/relevant Cabinet Member and] guidance from the Monitoring Officer who may require that a decision be treated as a key decision.

Full Council 17 December 2019



Report of: Monitoring Officer

Title: Licensing Committee – Membership Change

Ward: Citywide

Recommendation

That Full Council approves the appointment of Councillor Tom Brook to the Licensing Committee.

Summary

The Licensing Committee is established under Section 6 of the Licensing Act 2003 and is a standing Committee. Any vacancies on the Committee must be filled by the Full Council. This task is non-delegable, i.e. only Full Council can decide who will serve on the Committee.



Background and proposal

- 1.** The Council must have a Licensing Committee of between 10-15 Members. As one of the largest licensing authorities in the country, Bristol has established a 15 Member Committee. Members serve on the Committee until they either resign or are removed by the Full Council.
- 2.** Councillor Langley sadly passed away on 17 October 2019. This has left a vacancy on the Committee.
- 3.** Councillor Tom Brook has indicated that he is willing to be appointed to the Committee.
- 4.** The Full Council is accordingly asked to approve the appointment of Councillor Tom Brook to the Licensing Committee.