Medium Term Financial Plan 2020/21 – 2024/25

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 UKs 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).

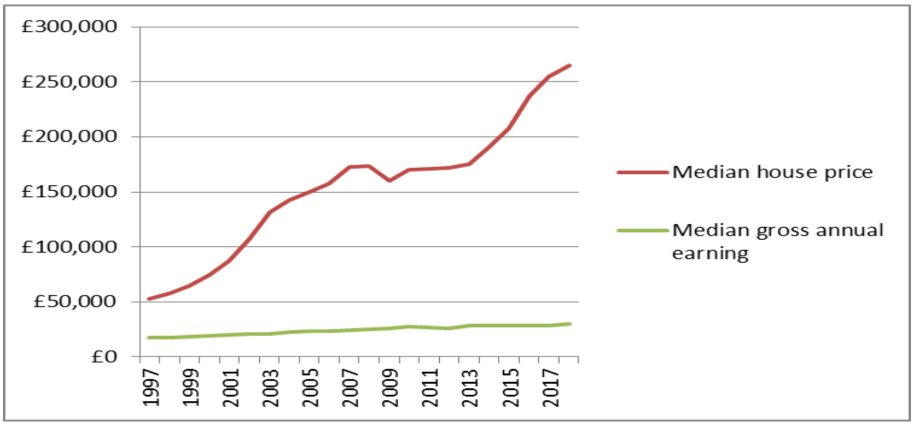
5.15. North Bristol Foodbank saw a 30% increase in foodbanks in the first few months of 2019 compared to a year previously. Also Local Crisis and Prevention Fund Foodbank referrals have increased by over 30% from 2018/19 to 2019/20.

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*

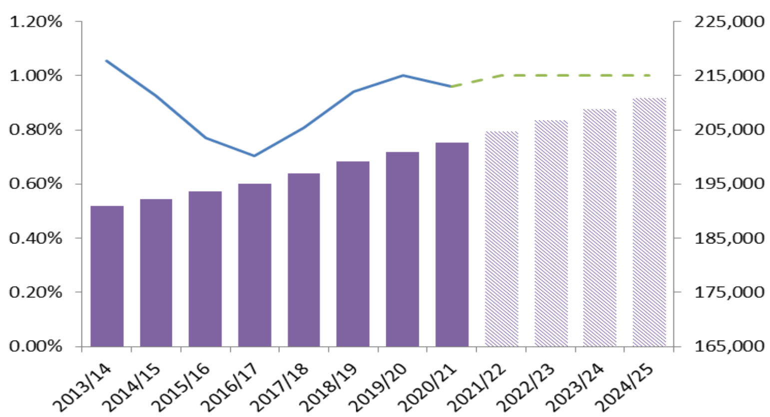
Adult Social Care Grants

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 to2% 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 as 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)**
Surplus/(Deficit) 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 Heath 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 statuary 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.

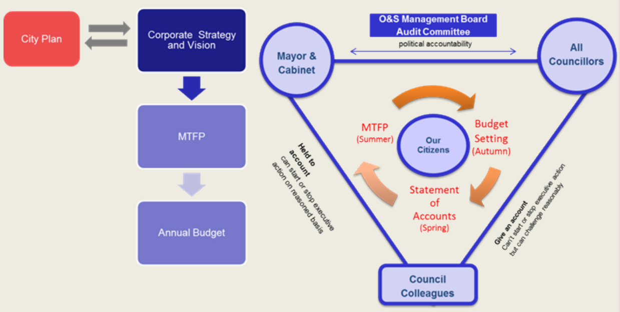
5.79. Table below summarise the Existing Earmarked Reserves (EMR) and estimated drawdown in 2019/20.

Reserve Type	Closing Balance 31.03.2019	Approved Reprioritisation	Forecast Drawdown /(Addition)	Est. Closing Balance 31.032020
	£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	Approved Reprioritisation	Forecast Drawdown /(Addition)	Est. Closing Balance 31.032020
	£000	£000	£000	£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 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.

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.

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.