

# Decision Pathway – Report



**PURPOSE:** Key decision

**MEETING:** Cabinet

**DATE:** 02 November 2021

<b>TITLE</b>	<b>Medium Term Financial Plan and Capital Strategy</b>		
<b>Ward(s)</b>	N/A		
<b>Author: Denise Murray</b>	<b>Job title: Director of Finance</b>		
<b>Cabinet lead: Councillor Craig Cheney</b>	<b>Executive Director lead: Mike Jackson</b>		
<b>Proposal origin:</b> Other			
<b>Decision maker:</b> Cabinet Member <b>Decision forum:</b> Cabinet			
<b>Purpose of Report:</b>  The Medium Term Financial Plan and Capital Strategy are key parts of the Council’s financial planning process. Together they set out the Council’s strategic approach to the management of its finances and provide a framework for delivery of the Council’s priorities. The Medium Term Financial Plan and Capital Strategy are rolling plans and this report covers the period 2022/23 to 2026/27 and 2022/23 to 2026/27 (or 2031/32) respectively. It is proposed for consideration by Cabinet and, if endorsed, then recommended for Full Council to approve.			
<b>Evidence Base:</b>  The Chartered Institute of Public Finance & Accountancy (CIPFA) has introduced a new Financial Management (FM) Code to support good practice and to assist Local Authorities in demonstrating their long-term financial sustainability. The FM Code sets out the standards of financial management for Local Authorities, as well as collating then building on a range of codes that underpin governance and financial management. The Council was already adopting in the management of its finances and is now working towards full adoption of the new elements within the FM code in 2021/22, with changes required to the financial framework, reflected initially in the Medium Term Financial Plan and Capital Strategy.  The Medium Term Financial Plan and Capital Strategy provide the financial context within which revenue budgets and the Capital Programme for the Council will be developed and then put forward to Full Council for approval as part of the annual budget setting process. The plans demonstrate how the delivery of the Corporate Strategy goes hand in hand with organisational financial health. They have been prepared in compliance with the relevant codes and the financial planning assumptions will be kept under constant review, given the increased level of uncertainty in the financial and economic climate.  The refresh of the <b>Medium Term Financial Plan</b> considers the financial outlook for the Council over the next five years, after taking into account changes in the national and local context. It recognises the ongoing financial uncertainty associated to Covid-19 recovery, plans to delay local government funding reforms with regards to the retention of business locally. It takes into account the financial impact of savings measures agreed in the past year not delivered, emerging demands, pressures and opportunities.  This Medium Term Financial Plan identifies a cumulative peak funding gap of £41.2million during the 2022/23 – 2026/27 period. This gap is to be closed through targets for both short term and longer-term interventions which will require budget savings to be delivered to ensure a medium term financially balanced position. The report also sets out principles for a robust reserves policy to ensure resilience over this period.			

**The Capital Strategy** is an overarching document which sets the policy framework for the development, management and monitoring of the Council's capital investment. The requirement to have an annual Capital Strategy approved by Council became mandatory in 2019/20 as part of the update to the Prudential Code.

The main purpose of the Capital Strategy is to ensure the Council's investment in capital projects is sound, supports the delivery of our corporate objectives and focuses on the core principles that underpin the Council's capital programme. It details the high level approach and framework that will underpin the development of the 2022/23 to 2031/32 Capital Programme and sets out the framework for the development of the detailed programme. It sets out the key issues and risks that will impact on the delivery of the programme and the governance framework required to ensure the capital programme can be delivered and in a balanced way will support the delivery of the Council's Objectives.

The Capital Strategy is integrated with the Medium Term Financial Plan and Treasury Management Strategy to ensure full account is taken of revenue implications and restrictions on capital resources. i.e. the Minimum Revenue Provision (the notional repayment of principal) and debt financing costs incorporated into the Medium Term Financial Plan and the Treasury Management Strategy.

Since the previous Capital Strategy was approved, CIPFA has consulted on the Prudential Code. The proposed changes look to strengthen the requirements regarding borrowing for commercial projects, to ensure Local Authorities are not borrowing in advance of need or with a view to making a profit. Other proposed changes are predominantly to ensure Local Authorities' capital investment remains sustainable, affordable or minimising exposure to risks. The spirit of the changes has been incorporated within the Capital Strategy and once the code has been formally agreed will be reflected in the Treasury Management Strategy and as appropriate when developing future capital programmes.

The report has been developed through analysis of relevant data sets and engagement with officers and members including a scrutiny task and finish group endorsed by the Council's Overview and Scrutiny Management Board.

#### **Cabinet Member**

1. Notes the outlook and projections within the 5-year Medium Term Financial Plan and Capital Strategy
2. Notes the strategic planning approach taken
3. Note the Reserve Policy
4. Recommends the Medium -Term Financial Plan for the period 2022/23 to 2026/27 to Full Council for approval.
5. Recommends the Capital Strategy for the period 2022/23 to 2031/32 to Full Council for approval.
6. Delegate authority to Director of Finance in consultation with Deputy Mayor, Cabinet member for Finance, Governance, Property and Culture to make any technical changes following the Spending Review 2021

#### **Corporate Strategy alignment:**

The Medium Term Financial Plan and Capital Strategy aims to ensure available funding and budgetary processes are aligned with corporate priorities.

#### **City Benefits:**

The Corporate Strategy is the Council's main strategic document and sets out the Council's contribution to the city as part of the One City Plan. The development of the financial framework represents the next stage in the process of the Council's strategic financial planning process and enables the resource to be aligned in achieving the priorities within the strategy.

#### **Consultation Details:**

The Medium Term Financial Plan and Capital Strategy has been subject to a range of internal consultation and engagement. This has included a Task and Finish Group endorsed by the Council's Overview and Scrutiny Management Board and the Corporate Leadership Board.

The external consultation method for obtaining stakeholders and the public's views of spending priorities, individual proposals to meet savings requirement and acceptable levels of Council Tax, will be considered as part of the preparation of the Council's budget for 2022/23. The HRA will be subject to a separate consultation process and the Schools Forum are consulted on any factors impacting on the Dedicated Schools Grant with a consultation due to commence with all schools.

The consultation results from all the above will be presented to Cabinet in advance of decisions in relation to the budget.

**Background Documents:**

N/A - Cyclical reports

<b>Revenue Cost</b>	£ N/A	<b>Source of Revenue Funding</b>	N/A
<b>Capital Cost</b>	£ N/A	<b>Source of Capital Funding</b>	N/A
<b>One off cost</b> <input type="checkbox"/>	<b>Ongoing cost</b> <input type="checkbox"/>	<b>Saving Proposal</b> <input type="checkbox"/>	<b>Income generation proposal</b> <input type="checkbox"/>

**Required information to be completed by Financial/Legal/ICT/ HR partners:**

**1. Finance Advice:** The financial implications are set out in the Medium Term Financial Plan and Capital Strategy for the period 2022/23 to 2026/27 and 2022/23 to 2031/32 respectively.

**Finance Business Partner:** Business Partner to enter their name to confirm they have provided comments on the full and final report and the date.

**2. Legal Advice:** The plans comply with the CIPFA Financial management and Prudential codes and associated legislation and guidance. The CIPFA Financial Management code requires authorities to have a rolling multi-year medium-term financial plan consistent with sustainable service plans.

The Code is evidence of compliance with statutory and professional frameworks. The aim of the plan is to give clear and understandable information to decision makers in a public context 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 requires the Council to produce a Capital Strategy. The strategy should 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 allow Members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

**Legal Team Leader: Nancy Rollason, Head of Legal Service, 26 October 2021**

**3. Implications on IT:** IT/Digital Services are supportive of the MTFP and Capital Strategy and are actively working to support the Efficiency Principles through planned programme activity, with support/oversight from Finance colleagues

**IT Team Leader:** Simon Oliver, Director – Digital Transformation, 25/10/21

**4. HR Advice:** Our workforce strategy will be revised to 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. Given the significant budget pressures identified, there will be a need to consider measures to control workforce costs as part of the 2022/23 budget setting process

**HR Partner:** Mark Williams, Head of Human Resources, 25/10/21

<b>EDM Sign-off</b>	<b>Denise Murray</b>	26 <sup>th</sup> October 2021
<b>Cabinet Member sign-off</b>	Councillor Craig Cheney	26 <sup>th</sup> October 2021
<b>For Key Decisions - Mayor's Office sign-off</b>	Mayor's Office	26 <sup>th</sup> October 2021

<b>Appendix A – Further essential background / detail on the proposal</b> <i>A.1 Medium Term Financial Plan 2022/23 to 2026/27</i> <i>A.2 Capital Strategy 2022/23 to 2031/32</i>	<b>YES</b>
<b>Appendix B – Details of consultation carried out - internal and external</b>	<b>NO</b>
<b>Appendix C – Summary of any engagement with scrutiny</b>	<b>NO</b>
<b>Appendix D – Risk assessment</b>	<b>NO</b>
<b>Appendix E – Equalities screening / impact assessment of proposal</b> (Please contact <a href="mailto:equalities.team@bristol.gov.uk">equalities.team@bristol.gov.uk</a> for support. See also <a href="#">equality impact assessments</a> )	<b>YES</b>
<b>Appendix F – <a href="#">Eco-impact screening/ impact assessment of proposal</a></b> (template available here) Lead officer for support Giles Liddell..	<b>NO</b>
<b>Appendix G – Financial Advice</b> (Financial officer must be the author of the advice)	<b>NO</b>
<b>Appendix H – Legal Advice</b> (Legal Services must be the author of the advice)	<b>NO</b>
<b>Appendix I – Exempt Information</b> (Legal Services must confirm that information is to be exempt in accordance with the constitution)	<b>NO</b>
<b>Appendix J – HR advice</b>	<b>NO</b>
<b>Appendix K – ICT</b> Include here additional information from ICT	<b>NO</b>
<b>Appendix L – Procurement</b> Include here additional information from Procurement	<b>NO</b>