Bristol City Council

Medium Term Financial Strategy

2025/26 – 2029/30

September 2024

Contents

1. Introduction

1.1. The Medium Term Financial Strategy (MTFS) is a key part of Bristol City Council's (the council) policy and budget framework and financial planning process. It is an iterative and rolling 5-year strategy which is currently covering the period 2025/26 to 2029/30. The purpose of the MTFS is to provide both a strategic framework to meet corporate priorities, taking a forward-looking approach to the management of the council's financial resources and to support the achievement of a sustainable budget over the medium term. It closely aligns with other key aspects of the financial planning process, including the council's Capital Strategy.

1.2. The MTFS provides a forecast outlook and identifies any potential gap in the budget requirement, the difference between core funding the council expects to receive and the estimated cost of delivering agreed services.

1.3. It is important to understand that the MTFS does not constitute a formal budget. It provides the financial parameters within which budget and service planning should take place, to ensure the council sets a balanced budget. In accordance with Section 31A(11) of the Local Government Finance Act 1992, the final decisions on the overall Budget and Council Tax level are for Full Council and following the appropriate consultation and considerations. The budget must be set by Council before 11 March 2025.

2. Executive Summary

2.1. Nationally the picture for local government finance remains bleak. A sustained period of high cost inflation, with limited changes to core funding after years of austerity measures resulting in years of savings delivery requirements, and continuing unprecedented demand pressures, particularly in Children, Adults and Temporary Accommodation services, has led to councils struggling with in-year financial pressures and challenging budget gaps to manage.

2.2. Based upon the available information and assuming no additional government support is forthcoming, the council's budget gap is set to continue to grow. **The General Fund** base case (most likely) forecast including known financial pressures and indicative funding, results in a **peak funding gap of £68.4** million over the period of the MTFS with £51.6 million attributed to 2025/26 as summarised in the table below.

Table 1: Summary Financial Outlook

General Fund Overview	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m
Original Budget (Approved by Council Feb 2024)	538.060	554.217	572.448	585.691	585.691
Additional Emerging Pressures	54.196	55.794	60.350	68.365	90.994
Council Budget Requirement	**592.256**	**610.011**	**632.798**	**654.056**	**676.685**
Total Funding	(540.657)	(554.217)	(572.448)	(585.691)	(609.440)
Budget (Surplus)/Deficit	**51.599**	**55.794**	**60.350**	**68.365**	**67.245**

2.3. Substantially all the additional funding resource outlined over the 5-year period will come from local taxation. With an increase to Business Rates and Council Tax forecast at £56.5 million over the medium term.

2.4. Directorates have identified the service pressures that they are facing to enable them to maintain the current policy position, reflecting both the pressures outlined in the current financial year that will continue and the further pressure in future years from continuing demand and inflation.

Demand has played a significant factor in these projections, far exceeding the levels previously anticipated, and this is the key driver behind the financial gap outlined, which amounts across all services to a total of £54.2 million in 2025/26 rising to £91 million over the medium term.

2.5. When considering the sensitivity of the service risks and core funding changes, by revising the forecast to best and worst case of these factors, the position could vary **between £31.0 million and £157.8 million by 2029/30**.

2.6. Within the original budget there are already planned savings amounting to £5.3 million over the medium term, heavily driven by the council's top transformation programmes. The council is not yet delivering savings at the pace and level expected, with a current forecast projection of 71% delivery, or £34.4 million of a £48.7 million target in 2024/25 and whilst measures have been implemented in-year (as referenced in the P5 report to this committee) these are not all recurrent, therefore the savings already identified continue to be required within this MTFS.

2.7. Overall, this represents a substantial challenge now for the council to bridge the estimated budget gaps over the medium term, recognising that delivery of savings is no longer a matter of efficiency improvements but of transformational change and reductions in the discretionary services provided by the authority.

2.8. The **Housing Revenue Account (HRA)** includes all expenditure and income incurred in managing the council's housing stock and, in accordance with government legislation, operates as a ringfenced account. The total resources available to the HRA is forecast at around £917.5 million over the period 2025/26 to 2029/30, with 99.3% of this being derived from rent and service charges to tenants.

2.9. The planning assumption is that **Public Health,** as a ringfenced account will operate on a principal of self-funding and, as such, it will seek to contain the additional costs and any new burden. Funding uncertainty remains a risk and, whilst in the short-term reserves provide resilience, in the medium term this could lead to a depletion of those reserves and a need to re-consider the service offer.

2.10. The **Dedicated Schools Grant** (DSG) remains pressured in relation to the high needs block, reflecting the national picture.

2.11. The DSG ended the financial year 2023/24 with a cumulative unmitigated deficit of £58.6 million and is forecasting an unmitigated deficit of £375.1 million by 2029/30. In March 2024, the council entered into an agreement with the Department for Education under their Safety Valve Programme. Following this, an initial payment of additional DSG of £21.5 million was received in March 2024 which was used to offset the deficit on the DSG at the end of 2023/24. Therefore, the final mitigated DSG deficit carried forward into 2024/25 was £37.1 million. The agreement also requires the council to make contributions from its own resources to offset the DSG deficit. These total £12.0 million in 2024/25 and a further £34.5 million over the MTFS period. This funding, alongside a challenging deficit management plan, is anticipated over the coming 6 years to ensure DSG costs are covered by funding annually and to remove the ongoing deficit.

2.12. A Statutory Instrument (SI) is in place that allows all DSG deficits to be carried over in a separate dedicated account, to allow councils with the short-term flexibility needed to implement changes to move High Needs to a sustainable position. The SI is time-limited and is due to end in March 2026. At present there is no clarity on whether the SI will be extended past this point and should it not continue, or alternative management plans be put in place, then the council would require adequate usable reserves to cover any DSG deficit.

2.13. At the time of writing, the schools, high needs and central school services national funding formulae (NFF) for 2025/26 have not been announced. The council expects that final allocations and high needs block allocations will be published in December.

2.14. During 2024/25 a separate ringfenced account has been established for the **Bristol Harbour Authority** to ensure sustainable management and operation of the harbour. The regulations require the Harbour Authority to be a self-financing service but there may be a short transition period during which the General Fund could be required to subsidise the harbour account to enable engineering work to improve the harbour infrastructure and the recruitment of additional staff.

2.15. While revenue budget expenditure is concerned with the day-to-day running of services, the **Capital Programme** is concerned with investment in the physical assets required in Bristol as a place; to maintain the essential infrastructure, grow our economy and invest to generate returns.

2.16. The Capital Strategy 2025/26 to 2034/35 sets out a framework for funding and investment decisions in respect of capital assets, in the context of the council's vision and priorities and available financial resources. As a rolling strategy with an annual refresh, it sets out the long-term context in which capital expenditure and investment decisions are made. In addition to the budgetary impact, it considers both risk and reward and impact on the achievement of priority outcomes.

2.17. Capital investment decisions have implications for the Revenue budget, in relation to:

- The revenue costs of financing capital, including prudential borrowing.
- The ongoing running costs and/or income generated by capital assets such as buildings.

2.18. The adequacy of **Reserves** is a key consideration in assessing the council's resilience, coupled with the need to be continually alert to the risks and uncertainty to which the council could be exposed. This is a crucial factor in ensuring the financial sustainability of the council over the medium term. The current council policy aims to retain general reserves of at least 5 - 6% of the net revenue budget requirement (subject to the assessment of risks), in order to cover any major unforeseen expenditure. Based on the forecast level of reserves of £33.0 million (5.57% and representing 20 days of turnover) for 2025/26, the indication is that to remain at this minimum level with the increasing net budget requirement over the medium term diluting the reserve percentage and turnover ratio, the council will need to uplift the reserve by a further £1.7 million over the latter three years of the MTFS.

2.19. The council will need a budget funding strategy that meets service demand in a sustainable manner; leveraging external income, maximising locally generated income, applying capital intelligently to both improve and reduce revenue costs, and leaning into opportunities around transformation and innovation, to provide ongoing resilience against a backdrop of continuing financial challenge.

3. Council Priorities

3.1. The council's Corporate Strategy 2022 - 2027 lays the foundation for delivery of the vision for Bristol including the key priorities to be delivered over the medium term. It consists of **7 high level strategic themes** and 32 priorities that are the most important in achieving the council's vision. As seen in the figure below they are all underpinned by **5 building blocks** and the values and behaviours that guide how the council will work.

Figure 1: Corporate Strategy at a Glance

3.2. The Corporate Strategy links with other key strategies and contributes to the delivery of the long-term One City Plan and shared vision for the city. The MTFS and Capital Strategy sit alongside and seek 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 and regulatory obligations that may arise over the medium term.

3.3. A robust MTFS will seek to ensure:

- Effective forward assessment of the medium term financial challenges to enable appropriate management of the indicative funding gap, to ensure sufficient provision is available for a balanced budget to be achieved in all five years by the time of the budget.

- An alignment of expenditure to the strategic themes contained in the Corporate Strategy

   i. **Children and Young People -** City where every child belongs and every child gets the best start in life, whatever circumstances they were born in to.
   ii. **Economy and Skills** - Economic growth that builds inclusive and resilient communities, decarbonises the city and offers equity of opportunity.
   iii. **Environment and Sustainability-** Decarbonise the city, support the recovery of nature and lead a just transition to a low carbon future.
   iv. **Health, Care and Wellbeing** - Tackling health inequalities to help people stay healthier and happier throughout their lives.
   v. **Homes and Communities** - Healthy, resilient and inclusive neighbourhoods with fair access to decent, affordable homes.
   vi. **Transport and Connectivity -** A more efficient, sustainable and inclusive connection of people to people, people to jobs and people to opportunity.

vii. **A Development Organisation -** From city government to city governance: creating a focussed council that empowers individuals, communities and partners to flourish and lead.

- The making of suitable provisions for general reserves and known liabilities.
- Building sufficient risk / contingency allocations into budget plans.
- Making plans for capital financing that are appropriate, timely, cost effective and affordable across the life of the asset.
- Principles are adopted for how we spend, save and invest that drive value for money and safeguard public money.

4. Financial Outlook

The financial outlook considers particularly the implications of the following on both the demand for services and likely resourcing levels over the next 5 years:

1. National Economic Context
2. New Legislative and Policy Change, and Local Government Funding

National Economic Context

4.1. There are a number of international, national and regional factors that influence the MTFS, and the decisions and forecasts that form it. As well as the local socio-economic context (including Bristol's current and projected population, economy and labour market, and levels of deprivation), the economy is a key driver.

4.2. The Office for Budget Responsibility (OBR) reported in its March 2024 Economic and Fiscal Outlook that the UK economy has emerged from the twin global shocks of the pandemic and the Russian invasion of Ukraine into a period of declining inflation, in part due to reducing energy prices. This decline combines with a fall in interest rates to indicate a recovery in living standards in the short-term. However, the medium-term continues to look challenging due to stagnating output despite growth in both the UK population and its workforce.

4.3. GDP was 5.7% for Quarter 4 2023/24. The OBR expects the level of GDP to fall to 0.6% in 2024/25 before steadily growing by 1.4% in 2025/26, 1.8% in 2026/27, 1.9% in 2027/28 and 1.9% again in 2028/29.

4.4. Consumer Price Index (CPI) inflation was 4.2% for Quarter 4 of 2023-2024, subsequently falling to 2.2% for the 12 months to August 2024. The OBR forecasts CPI inflation to average 1.6% in 2025/26, 1.7% in 2026/27, 2.0% in 2027/28, 2.0% in 2028/29 and 2.0% in 2029/30. The government's current aim is to keep inflation stable and low at a target 2.0%.

4.5. Following almost 2 years of rising inflation and in order to slow that inflation down, the Bank of England increased the bank interest base rate to a 16 year high of 5.25% in August 2023. Rates have subsequently reduced to 5%, which is where they are currently with the next review due in November. Latest predictions show that UK bank rate is expected to fall to 4.75% by the end of 2024 and to 3.25% by the end of 2025. Over the next 5 years, interest rates across all maturity periods, 1year to 50 years are forecast to stay relatively high at between 3.25% and 4.25%.

4.6. The council currently makes use of internal borrowing from reserves and balances to fund new capital expenditure when possible. The requirement to borrow (known as the Capital Financing

Requirement) is set to increase by around £102 million and £776 million for the General Fund and HRA respectively over the next 5 years, putting pressure on the council to take on Public Works Loans Board (PWLB) external debt. The increases in borrowing rates illustrated above are around 1.5% higher than those used in the MTFS in the earlier period, moving to 2% higher in the later years. As reserves are utilised, reducing the availability for internal borrowing, this could have a material impact on capital financing, the full impact of this will need assessment alongside the development of the capital programme and will be a further factor of adjustment required for the budget.

4.7. The internal borrowing referenced above relates to the council's Treasury Strategy to defer borrowing while it has adequate levels of liquid treasury investments, £68 million at March 2024 arising from cash backed reserves, balances and working capital. Deferring borrowing reduces the net revenue interest cost to the authority as well as reducing the council's exposure to counter party risk for its investments.

4.8. Over the life of the MTFS the council's subsidiary companies will equally be affected by interest rate rises over the life of the MTFS, possibly by as much as £4.7 million for loans from the council which have not yet been drawn down, which is set to increase as further loans are approved when housing developments are progressed by Goram Homes. This may impact on project viability and profit / returns to the council. These changes will be dependent on the company's business plans and as such have yet to be factored into the MTFS assumptions below.

New Legislative and Policy Change, and Local Government Funding

Early Years Funding Consultation

4.9. Following the Government consultation in summer 2023 there were updates to the early years funding formulae and maintained nursery school supplementary funding during 2023/24. From September 2025 there will be additional funding provisions for eligible working parents of children aged 9 months and above. Additional funding will also be made available through:

- maintained nursery school (MNS) supplementary funding for 3 and 4 year olds.
- the disability access fund (DAF) for eligible children accessing the early years entitlements.
- the early years pupil premium (EYPP) for each hour an eligible child takes up any of the early years entitlements, up to a maximum of 570 hours (15 hours per week).

Spending Reviews and Finance Settlements

4.10. The government's spending plans for the current and preceding financial years 2022/23 to 2024/25 were set out in the Comprehensive Spending Review 2021. However, as outlined in the MTFS 2023/24 refresh and annual budget, the government has modified its plans for adult social care, further clarified its plans for local government expenditure and funding revisions and announced a new policy on childcare with significant funding changes for the early years sector since that time.

4.11. A Local Government Finance Policy Statement 2024/25 was published by the previous government on 5 December 2023 setting out the then government's intentions for local government funding in 2024/25. The outline of the intentions at that time included:

- The local government finance reforms such as the Fair Funding Review and the business rates reset will not be implemented in this Spending Review period and will now fall to the next parliament.

- Core council tax will be allowed to increase by up to 3% in 2024/25 before being subject to a local referendum, with an adult social care precept of 2%.

- Revenue Support Grant will be uplifted in line with CPI.

- Business Rates Pooling and enhanced business rates retention areas will continue into 2024/25.

- Adult Social Care funding was confirmed as anticipated for 2024/25.

- Local reserves should be used to maintain services over the coming financial year where possible.

4.12. In the Spring Budget (March 2024), the then Chancellor outlined the measures in the budget focused on:

- Reforming public spending.

- Rewarding work.

- Delivering on growth.

4.13. The key local government announcements in the 2023 Spring Budget included:

- The extension of the Household Support Fund to September 2024.

- The launch of the Public Sector Productivity Programme.

The Kings' Speech

4.14. Following the general election we heard through the Kings' speech some of the areas of change and reform that the new government were most likely to be focused on in the coming parliament. Those areas that could have bearing on local authority finances included:

- Bills to be brought forward to strengthen audit and corporate governance and pension investment (draft audit reform and Corporate Governance Bill, Pension Schemes Bill).

- Securing economic growth as a key theme.

- Planning reform will be brought through a planning and infrastructure bill.

- Greater devolution of decision making – English devolution bill to be brought in bringing legislation to give new powers to metro mayors and combined authorities to support local growth plans bringing economic benefit.

- A better busses bill to be brought to enable local control of local bus services.

- A focus on the global climate challenge with legislation to help unlock investment in energy infrastructure.

- Modernisation of the asylum and immigration system.

- A children's wellbeing bill to be brought forward around promoting wellbeing and raising standards in education.

- Skills England bill to be established and reform to the apprenticeship levy.
- Renters' Rights bill + Leasehold and Commonhold reform bill around protections to renters.

4.15. On 2 September 2024 the Household Support Fund was extended to the end of the current financial year.

4.16. The date of the next budget has now been set at 30 October 2024.

5. Five Year Financial Outlook

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

General Fund Revenue

5.1. The budget approved by Council in February 2024 outlined a balanced position across the five years 2024/25 to 2028/29. The net budget over the medium term is inclusive of new savings and efficiencies totalling £5.3 million, after savings requirements in the current financial year have been delivered. The table below outlines the indicative funding envelope requirement of £538.1 million 2025/26 to £585.7 million 2028/29 underpinning the council's medium term budget upon which additionality is being built.

Table 2: Previous Summary of General Fund Revenue Budget for the MTFS Period

2024/25	Description	2025/26	2026/27	2027/28	2028/29	2029/30
Budget		Proj'n	Proj'n	Proj'n	Proj'n	Proj'n
£m		£m	£m	£m	£m	£m
483.523	Base budget Carried Forward	533.721	538.060	554.216	572.448	585.691
10.647	Pay Award	4.559	4.527	4.367	4.454	-
29.736	General Contract & Other Corporate Pressures	(1.659)	10.186	11.705	6.814	-
40.383	Total Inflationary Pressures	2.900	14.713	16.072	11.268	-
10.592	Adult, Communities & Public Health	3.872	1.186	1.196	1.000	-
20.834	Children and Education	1.736	1.832	1.886	0.360	-
2.472	Resources	(0.362)	(0.288)	-	-	-
6.938	Growth & Regeneration	(3.490)	1.030	0.030	-	-
40.836	Total Service Pressures	1.756	3.760	3.112	1.360	-
81.218	Total Pressures	4.656	18.473	19.184	12.627	-
(33.996)	Savings	(1.289)	(3.011)	(1.357)	0.324	-
2.976	Optimism Bias	0.971	0.694	0.405	0.292	-
(31.020)	Total Savings	(0.318)	(2.317)	(0.952)	0.616	-

533.721	**Baseline Costs**	538.060	554.216	572.448	585.691	585.691
	One-off Costs	-	-	-	-	-
533.721	**General Fund Budget Requirement**	**538.060**	**554.216**	**572.448**	**585.691**	**585.691**
(282.047)	Council Tax	**(297.373)**	**(313.533)**	**(330.581)**	**(348.543)**	**-**
-	Council Tax Second Home Premium	**(2.876)**	**(3.020)**	**(3.170)**	**(3.328)**	**-**
(177.782)	Business Rates (NNDR)	**(182.255)**	**(161.316)**	**(163.489)**	**(165.823)**	**-**
(2.418)	New Homes Bonus	**-**	**-**	**-**	**-**	**-**
(0.712)	Services Grant	**-**	**-**	**-**	**-**	**-**
(71.592)	Social Care Grant	**(70.432)**	**(70.432)**	**(70.432)**	**(70.432)**	**-**
3.336	Movement To / (From) Earmarked Reserves	**14.876**	**(5.916)**	**(4.776)**	**2.436**	**-**
(2.507)	Collection Fund Surplus/(Deficit)	**-**	**-**	**-**	**-**	**-**
(533.721)	**Funding**	**(538.060)**	**(554.217)**	**(572.448)**	**(585.691)**	**(585.691)**
-	**Budget Surplus/(Deficit)**	**-**	**-**	**-**	**-**	**-**

5.2. The following key assumptions were being made at the point of the budget approval by Council in February 2024 and included in the opening projections as set out in the table above:

- Council Tax increase of 4.99% (including 2.99% for general purposes and 2% Adult Social Care Precept)
- Introduction of 100% council tax premium on second and empty homes from 1 April 2025
- 100% business rates retention to 2025/26 and multiplier uplifted by CPI
- A pay award inflationary assumption of 2% from 2024/25 onwards
- New social care grant 2024/25 and residual social care grants – rolled into the fairer funding review and cash flat thereafter
- No general inflation uplift to be applied to service expenditure budgets
- Inflation uplift to be applied to all fees and charges in line with September CPI (6.7% in September 2023 for the 2024/25 budget, and assumed at 2% thereafter)
- Specific inflationary increases in Private Finance Initiative (PFI), social care and essential services eg utilities
- Capital Financing — assumption that borrowing costs peak at 5.5%

5.3. Within this baseline position uncertainty continues in relation to one-off grant funding streams and future local government funding, such as fair funding and business rates and inflation.

5.4. The medium term financial strategy is a live document and is under regular revision. The baseline position has been adjusted to reflect the latest information. The assumptions are scenario tested to show a realistic indication of the possible available resources and potential best / worst case to provide a range of outcomes.

Council funding

5.5. The forecast level of overall general fund resources estimated to be available to the council, including retained business rates, central grants, and Council Tax income, over the next financial year is projected to be £540.7 million (this figure is £2.6 million higher than originally estimated in the budget) and is broken down in the table below.

Table 3: Forecast Level of Overall General Fund Resources available to the Council

Core Funding	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m
Original Forecast Available Funding	(538.060)	(554.217)	(572.448)	(585.691)	(585.691)
September 2024 Forecast Funding	(540.657)	(554.217)	(572.448)	(585.691)	(609.440)
Changes since February 2024	**(2.597)**	**-**	**-**	**-**	**(23.749)**
Of Which:					
Collection Fund Outturn	(2.597)	-	-	-	-
Additional Council Tax	-	-	-	-	(18.938)
Council Tax Second Home Premium	-	-	-	-	(0.167)
Business Rates Multiplier / Growth / 100% Retention	-	-	-	-	(2.208)
Movement To / (From) Reserves	-	-	-	-	(2.436)
Total Additional Core Funding	**(2.597)**	**-**	**-**	**-**	**(23.749)**

5.6. The following are key assumptions on future government funding, much of which is still uncertain as indicated below. Further details will be provided in the Autumn Budget Statement on 30 October 2024, the Provisional Local Government Finance Settlement December 2024 and Final Local Government Finance Settlement, January / February 2025.

Collection Fund Surplus / Deficit Outturn

5.7. The actual movement from the council tax and business rates budget estimates for 2023/24 and 2024/25 will impact on the 2025/26 budget as they are included in the collection fund estimates. Surpluses in the collection fund brought forward from 2023/24 of £0.3 million, along with a potential surplus of £2.3 million for 2024/25, results in a surplus on the collection fund of £2.6 million forecast for 2025/26.

Table 4: Breakdown of Carry Forward Deficit from 2023/24 and 2024/25 on the Collection Fund

2024/25 Estimated Collection Fund (Surplus)/Deficit	Council Tax £'m	Business Rates £'m	Total £'m
Balance Brought Forward 2023/24	(2.972)	2.641	(0.331)
Forecast (Surplus)/Deficit in 2024/25	(1.486)	(0.780)	(2.266)
Total (Surplus)/Deficit C/Fwd 2025/26	**(4.458)**	**1.861**	**(2.597)**

Business Rates, Business Rates Multiplier and Settlement Funding

5.8. Since 2017-18, aligned with the West of England (WoE) devolution deal, constituent unitary councils in the region have been piloting 100% business rates retention. It seems likely that these existing 100% business rates arrangements will continue for another year to 2026/27 for authorities in similar devolution arrangements. A strong local economy is core to the success of the scheme and aside from the positive social outcomes of a buoyant city, there are direct financial rewards under the rates retention system.

5.9. The government has suggested it will replace business rates with a tax that will “raise the same revenue but in a fairer way”, however as yet we have no clear direction on whether this will be reform or wholesale replacement. A baseline reset is still expected and the planned revaluation in 2026 could be a good time to implement reforms. The MTFS is predicated on reforms happening in 2026/27, with a business rates baseline reset and the local retention share decreasing from 100% to 75%.

5.10. In line with the principles of business rates retention, business rates are increased by inflation each year. Previously, if the multiplier was frozen instead of increasing in line with inflation, the Under-Indexing Multiplier Grant would be increased to ensure that local authorities’ shares of income were not impacted. The business rates multiplier will in turn will be uplifted by the September Consumer Price Index (CPI). Any decision to cap or freeze the BR multiplier is assumed to be compensated via section 31 grants. CPI is assumed to be circa 2%.

Additional One-off Grants

5.11. The 2023/24 Services Grant settlement, as announced Autumn 2022, was a 2 year settlement and did not set out any longer-term allocations of funding. The value of services grant received budgeted in 2024/25 is £0.7 million. With no current indication of further funding from 2025/26 these are assumed to have tapered to zero.

5.12. Should the government align further funding through the Services Grant this would most likely form part of the Autumn Statement scheduled for 30 October 2024.

Council Tax Second Home Premium

5.13. The Levelling-up and Regeneration Act received Royal Assent in October 2023 and gives billing authorities the power to charge a 100% premium on specified second homes or empty dwellings from 01 April 2025.

5.14. Full Council has approved the proposal to charge the 100% premium in respect of relevant properties with effect from 01 April 2025.

General Fund – Indicative Available Funding

5.15. 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 rises from £533.7 million in 2024/25 (including the additional funding sources outlined below) to £609.4 million in 2029/30.

Table 5: Indicative Available Funding

2024/25 £'m	Description	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m
(282.047)	Council Tax	(297.373)	(313.533)	(330.581)	(348.543)	(367.481)
-	Council Tax Second Home Premium	(2.876)	(3.020)	(3.170)	(3.328)	(3.495)
(177.782)	Business Rates (NNDR)	(182.255)	(161.316)	(163.489)	(165.823)	(168.032)
(2.418)	New Homes Bonus	-	-	-	-	-
(0.712)	Services Grant	-	-	-	-	-
(71.592)	Social Care Grant	(70.432)	(70.432)	(70.432)	(70.432)	(70.432)
3.336	Movement To / (From) Reserves	14.876	(5.916)	(4.776)	2.436	-
(2.507)	Collection Fund Surplus/(Deficit)	(2.597)	-	-	-	-
(533.722)		**(540.657)**	**(554.217)**	**(572.448)**	**(585.690)**	**(609.440)**

Council Tax

5.16. Council Tax is the main source of locally raised income for the council. For 2025/26, Council Tax referendum principles are assumed to continue the same as set out for 2024/25, that is, 2.99% for the core increases and a further 2% for the Adult Social Care Precept. Should the new government make changes to either limit it is anticipated this would be announced as part of the budget in October 2024. Since 2016/17, local authorities have been able to increase Council Tax by an additional amount which must be allocated to fund Adult Social Care only. This is in addition to the usual funding of social care through Council Tax. This applies to London boroughs, county councils, metropolitan districts and unitary authorities.

5.17. A 1.0% increase in core Council Tax or precept generates c £2.9 million additional income for core services. For planning purposes, this MTFS assumes annual core Council Tax increases of 2.99% with an additional Social Care Precept of 2.0%.

New Homes Bonus

5.18. New Homes Bonus (NHB) reforms have been in the pipeline for a number of years, with funding having been extended on a one-off basis in to 2024/25. There has been no direct indication from the government around continuation of the NHB after the current financial year at this time. However, government has announced ambitious plans for house building and infrastructure investment and currently the only financial incentive available to local authorities to encourage housing delivery is NHB. We are not currently projecting further income from the NHB given the level of uncertainty around this funding but are maintaining a watch on any further decision or announcement.

Social Care

5.19. Adult social care funding has been under pressure for many years, creating a social care funding gap. These pressures include:

- Demographic pressures with increased numbers of both older people needing social care, and increased demand for care from working age adults.
- Increases in the National Living Wage costs.

- Increasing costs of care to support people with increasingly complex care needs and the associated workforce challenges across the sector.

- Inflationary pressures.

5.20. The social care grant is expected to continue at current levels on a cash-flat basis. Although there is recognition that the level of funding is insufficient for the pressure and demands being seen nationally, with the Levelling Up, Housing and Communities Committee having noted this in its August 2022 report on the long-term funding of adult social care.

6. Emerging Financial Pressures

Summary Position

6.1. The budget report to Full Council in February 2024 reported a balanced position for the 5 years it covers. This position was to be achieved through the planned drawdown of reserves in year 3 and year 4 to supplement funding requirements (totalling £10.7m) and the return of budget surpluses (totalling £20.6m) to reserves across the remainder of the 5 year timeframe.

6.2. The new and additional emerging pressures identified over the planning period peak at £91.0 million in 2029/30. The underpinning assumptions in relation to each of the categories of emerging pressures are outlined in the subsequent sections. Evaluation of these emerging pressures is an iterative process. Assumptions will be kept under review and latest assessments of risks will be taken into account when setting the budget. Planning on this basis will ensure a proactive approach is being adopted and will support sustainability and resilience.

6.3. In reviewing the financial outlook different scenarios have also been modelled to stress test the key assumptions for best case and worst case in relation to both core funding and cost perspectives to analyse the likelihood that an alternative budget strategy / mitigation would be required. The likelihood is that elements from both the best and worst case could arise, having an offsetting impact, and providing options for the decisions that will be in the council's remit.

Table 6: Emerging Financial Pressures

Description	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m
Recurrent & New Service Pressures	54.196	55.794	60.350	68.365	79.963
Corporate Emerging Pressures					
Pay Award & NIC	-	-	-	-	4.710
Inflation & Levies	-	-	-	-	6.321
Total Emerging Pressures	**54.196**	**55.794**	**60.350**	**68.365**	**90.994**

2024/25 Recurrent Budget Pressures as at Period 5 / Quarter 2

6.4. At Period 5 (P5) / Quarter 2 (Q2) 2024/25, the council is forecasting a £19.7 million overspend (3.7%) against the approved General Fund budget (£533.7m). This position incorporates the forecast release of £16.2 million of corporately held budget comprising £4.6 million for inflation, £1.0 million for Capital Financing and £10.6 million budget for optimism bias/contingency for non-delivery of savings. Without this the General Fund would otherwise be forecasting a £35.9 million overspend.

6.5. This £35.9 million overspend is directly attributed to the following (see Bristol City Council Period 5/Quarter 2 2024/25 - Finance Revenue Budget Monitoring Report Appendix A1a for details).

- Rising individual care and support packages in Adult Social Care.
- The continuing escalation in numbers and associated high unit costs of children and young people in care who require Out of Authority, Independent Foster Agency care or Unregistered External Placements.
- Home To School Transport within the Education Improvement Division where there are ongoing increases in the number of children with Education, Health and Care Plans (EHCPs) requiring transport to school and increasingly that transport is outside the local area.
- Temporary accommodation for people experiencing homelessness in the city.

6.6. The review undertaken to inform the MTFS indicates that many of these in year pressures are recurrent in nature.

6.7. Corporate ownership of the forecast budget overspend and emerging net risk is required, with clear management action to alleviate. As part of this, the council is now implementing in-year measures to reduce this financial pressure. These measures include the establishment of:

- Spend Control Panel to monitor non-pay related one-off or off-contract payments from across the council over £500. Payments directly aligned to statutory service provision that safeguards the city's most vulnerable citizens or where there is a legal commitment to spend are not within the scope of this panel.
- Procurement and Contracts Review Panel to focus on the planning, commissioning and procurement of services and ensuring that the council and its partners procure services with efficiency and in line with best practice and value for money. The panel will review spend requests for all new contracts over £0.1 million.
- Workforce Review Panel to delay or reduce workforce and agency costs.
- Debt Recovery initiatives and processes to regain collection performance to pre-pandemic levels. These processes will be in line with the Corporate Debt Management Policy and entail clear, honest communications with customers at all collection and recovery stages.

6.8. The currently forecast year end revenue position for the ringfenced accounts at Period 5/Quarter 2 is a £31.7 million overspend for the Dedicated Schools Grant (6.5%) before mitigation through the Safety Valve and Bristol City Council contributions; £14.8 million overspend for the Housing Revenue Account (9.8%) and balanced positions for both the Public Heath grant and the Bristol Harbour Authority.

Pay Award

6.9. The 2024/25 annual budget and medium-term plan included provision for an annual pay award in 2024/25 of 5% and a 2% annual pay award from 2025/26 thereafter.

6.10. The National Employers 2024/25 final offer to the unions recently proposed:

- With effect from 1 April 2024, an increase of £1,290 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive.

- With effect from 1 April 2024, an increase of 2.5% on all pay points above the maximum of the pay spine but graded below deputy chief officer.

- With effect from 1 April 2024 an increase of 2.5% on all allowances (as listed in the 2023 NJC pay agreement circular dated 1 November 2023).

6.11. At the time of this report's preparation the unions have not accepted this final offer and balloting is underway for potential industrial action.

6.12. Whilst pay inflation remains an area of uncertainty in the current financial year, inflationary levels are decreasing and the direction of travel on offers is in line with our previous planning assumptions. At this time we have therefore retained the assumption of a 2% pay provision from 2025/26 onwards.

Contractual Inflation and Levies

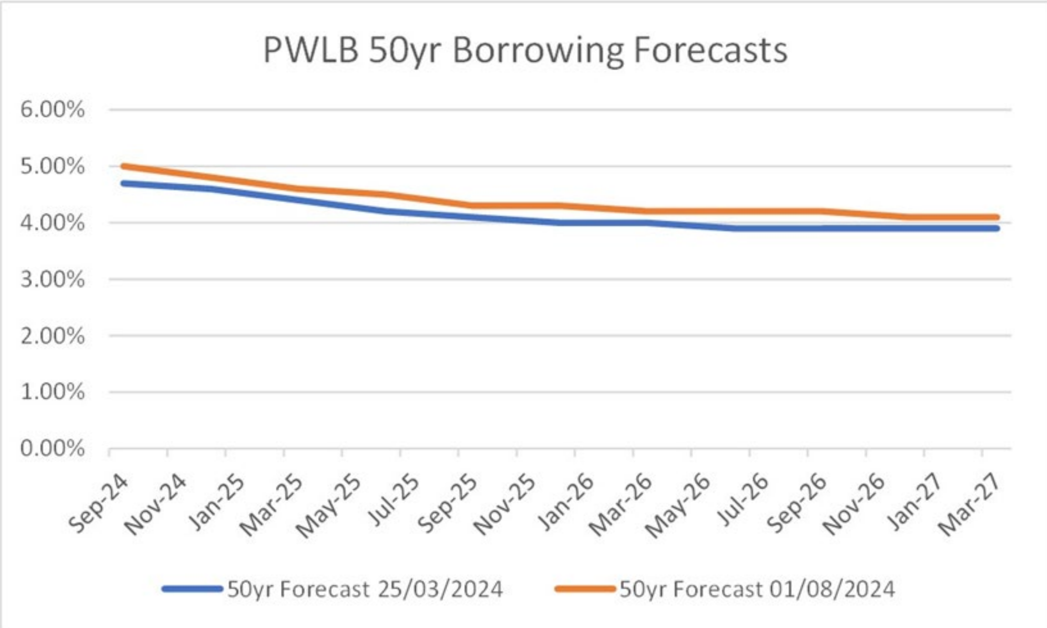
6.13. General inflation of 2% is assumed in the MTFS planning assumptions. The emerging pressures development enables an assessment of contractual inflation that cannot be managed by services, with an expectation that services are to absorb annual inflationary pressures within existing budgets for items not progressed as specifically agreed pressures. Corporate inflation is included each year to allow for material contractual inflationary cost pressures on known and recurring contractual areas and levies, such as social care, Home to School Transport, waste disposal and PFI.

Capital Financing and Interest Rates

6.14. The Bank of England Base Rate is 5.00% at September 2024. This is a decrease of 0.25% since the budget was approved at Cabinet in January 2024 when the base rate was 5.25%, which is broadly in line with expectations.

6.15. Impact of further variations to forecast interest rates, both in terms of investment returns and borrowing costs, will also present corporate risks. Interest rate risks are managed through effective treasury management and the use of fixed rate loans where appropriate.

Figure 2: Impact of recent changes in long-term borrowing rates



Service Risks

Adult Social Care Risks

6.16. Adult Social Care continues to face financial challenges in 2024/25 in relation to service demand and inflationary cost pressures, particularly with challenges around individual care and support packages arising from increased complexity of care and demand volume for services. Adult purchasing budgets are currently forecasting a risk of adverse overspend of £17.3 million (9.3%) against a budget of £186.9 million. The potential risks identified by Adult Social Care in respect of 2024/25 are currently estimated at £6.8 million (at P5), hence savings delivery remains challenging for the services and work is underway to drive forward the workstreams within the transformation programme, which could mitigate the risks.

Children and Families Risks

6.17. There remains risk around placement cost pressures, with the Association of Directors of Children's Services reporting nationally: 184% increase in child protection enquiries between 2008 and 2022; a 74% increase in children on child protection plans in the same period; a 35% increase in children in care. This trend is mirrored in Bristol which has observed increases in demand over the last financial year, with a continued reduction in the number of internal placements over recent years continuing alongside a significant increase in higher cost residential placement numbers. The overall number of children in care has grown from 737 in April 2023 to 771 at April 2024, and the unit cost of placement provision and support continues to increase significantly.

6.18. The children's social care budgets are, at Period 5/Quarter 2, forecasting a total pressure of £21.7 million with services working to mitigate further risks. This pressure is reflective of Bristol being increasingly reliant on the external placement market; a growing number of children with additional and/or complex needs (BCC EHC referral rates) and a rise in the complexity of cases, which can result in placement breakdowns and children needing to be moved to more costly arrangements. Transitions to adulthood and delays in accessing housing pathways are also contributing to pressures in this area. This is exacerbated due to a relative shortage of foster carers and kinship arrangements.

6.19. Risks remain above these pressures, particularly; where children in care require nursing support, pressures in asylum seeker support and families with no recourse to public funds, and where there have been increasing costs of temporary housing as a result of growing numbers of families seeking housing, employment and support.

6.20. The Children's Service Transformation Programmes are underway and will help contribute to a balanced budget by avoiding escalation to statutory support, increasing foster carer provision, enhancing early help services, improving quality of practice, developing the workforce, improving governance and quality assurance, implementing a new model for residential placements, and working more effectively with partners.

Education, Inclusion & Skills Service Risks

6.21. The Education, Inclusion and Skills service funded by the General Fund is forecasting a pressure of £2.0 million at Period 5/Quarter 2. The overspend is driven by increasing pressure on the Home to School Transport (HTST) budget resulting from increasing demand and costs. Limited availability of local provision for children with Education Health and Care Plans (EHCPs) results in children being placed further outside the local area. This, coupled with the growing number of children with EHCPs, results in an increasing number of children needing travel support to education provision further away from home. The education service continues to receive increasing requests for needs assessments, and a high conversion rate of these needs assessments into formal EHCPs. This demand for SEN support has direct implications for HTST provision, which is also experiencing high pressures due to demand, increased journey lengths and on contract inflation.

6.22. HTST provision is being reviewed as part of the Our Families transformation programme.

Growth & Regeneration Risks

Homelessness

6.23. Homelessness in Bristol continues to increase due to a number of factors including the cost of living crisis, unaffordability of the private rented sector and reduced supply of social and affordable housing. The number of households in temporary accommodation continues to rise increasing housing benefit subsidy loss, with the latest P5 forecast outturn reporting a pressure against budget of £4.7 million. Bristol City Council has established a Tackling Homelessness project to tackle this pressure, which forms part of the top transformation programmes.

Energy

6.24. The cost of energy is now returning to closer to historic levels following the very significant increase in 2021. The council is taking steps to mitigate some of the pressure through negotiating new energy contracts that rely on renewable energy and will insulate the council from future price increases in the market. The council is also implementing a programme of energy efficiency measures across its estate, in particular the replacement of street lights with LEDs and an agreed programme of decarbonisation measures delivered through City Leap. As a result of these programmes and the £1.55 million increase in funding in 2024/25, the council anticipates a balanced budget over the remainder of the Medium Term Financial Strategy.

Corporate Landlord

6.25. The council is undertaking a significant property programme transformation, which includes rationalisation of assets and the implementation of a centralised Corporate Landlord function. The majority of revenue savings have now been delivered with £1.0 million of the original £4.0 million target remaining. This residual savings target is expected to be delivered in 2025/26.

Parking

6.26. The council has managed a long running income deficit from designated parking spaces as a result of changes in driver behaviour post Covid. In 2024/25 this income deficit was estimated at £4 million. In September 2024, the Transport and Connectivity Committee approved increases to parking tariffs that are forecast to deliver an additional £2.3 million if implemented over a full year, with further areas in investigation to cover the remaining shortfall.

Parks

6.27. Tree maintenance budgets are being increasingly stretched as a result of Ash Dieback materially increasing the number of trees requiring attention. This represents an increasing pressure on parks budgets and the council more generally and presents a risk of further pressure to that identified in the MTFS.

Resources Risks

6.28. There is an ongoing pressure in relation to insurance due to increased costs of insurance premiums driven by commercial and market conditions. This was identified during 2023/24, however, despite budget growth for 2024/25, a pressure of up to £1.3 million remains. Ongoing IT contract and inflationary pressures are estimated to be £0.9 million, driven by annual contract inflationary increases and where an increased number of users has resulted in increased licence costs which can no longer be contained within budget. Additional pressures that have been identified include staffing pressures within the Finance division and income shortfalls within HR in relation to the Trading with Schools service. The Resources directorate supports an increasing level of complexity and demand across the council which in itself creates a risk to the capacity and resource available within the directorate to provide the required level of support services.

Savings at Risk

6.29. The savings programme agreed by Council in February 2024 included savings totalling £39.3 million over the medium term. Of this, £34.0 million was attributed to 2024/25.

6.30. In addition to this £34.0 million, a further £11.3 million of savings was undelivered in previous years and subsequently carried forward in to 2024/25.

6.31. The opening total savings delivery budget for 2024/25 was therefore £45.3 million.

6.32. There have been further revisions to this target to include £1.7 million of savings identified and committed as part of business case approvals to date, as well as the reversal of £1.7 million prior year non-recurrent savings so that the current tracked savings target is £48.7 million.

6.33. It is currently assessed that £14.3 million of these targeted savings are at risk of non-delivery or under-delivery as at P5. The current gap in savings programme delivery, largely attributed to Adults, Community and Public Health Directorate (£10.0m), Childrens and Education

Directorate (£2.8m) and Growth and Regeneration Directorate (£1.5m), is currently reported either within service forecasts or within risk and opportunity logs.

6.34. The total savings delivery budget for 2025/26 is £1.3 million (excluding any carry forward of prior year undelivered savings).

6.35. The council's current approved budget includes a planned total savings contingency for variation and non-delivery of savings (optimism bias) of £10.6 million. This is forecast at Period 5/Quarter 2 of the current year 2024/25 to be required in full to mitigate in year non delivery of savings.

6.36. The approach and focus on savings delivery is paramount, with increased focus on savings delivery throughout the current financial year. This is combined with a more robust and inclusive consideration of budget pressures as a part of the development of this medium term financial strategy, which will result in less complex and challenging budgets moving forward, enabling improved ownership and management of savings within budgets. It is therefore not proposed to include a non-delivery contingency through the MTFS, with the expectation that savings should be wholly delivered, or mitigated where there are unforeseen challenges.

Corporate Expenditure

Pensions

6.37. The latest pension fund triennial review came into effect on 1 April 2023. The council is currently almost 100% fully funded. The review reduced the deficit recovery period from 15 to 12 years. It will now remain at 12 years. There are no anticipated changes to contribution rates in 2025/26. The next triennial review will be effective 1 April 2026.

Capital Financing

6.38. The approach to capital investment and financing is outlined in full in the Capital Strategy. An ambitious programme of investment currently planned has a large impact on the council's annual revenue budget and creates long term costs. Investment and financing must be simultaneously reviewed, and implications made clear in decision making.

6.39. The maximum affordable level established for the cost of capital financing for the General Fund element of the capital programme, is 10% of general fund net revenue budget over the medium to long term. The current forecast level of the programme is 9.9% by 2026/27. The Capital Strategy has been updated to reflect adoption of technical accounting changes, linked particularly to leasing, and includes temporary increases to the headroom threshold. For illustration, if the council utilises this headroom to the 10% level, this will equate to an extra £10 million of borrowing with an estimated capital financing revenue budget cost of £0.5 million, meaning the threshold would be reached by 2026/27.

6.40. Reflecting capital trends and revenue forecast, the council is proposing to reprofile its capital programme activity for 2025/26 to 2029/30 to be more accurately based on the level of work it has capacity to deliver. In recent years the average annual programme, prior to the addition of slippage from the previous year, has been budgeted at around £310 million. Within the same time frame, the council has only had capacity to deliver an annual programme of no greater than £200 million. Therefore, even with an increased focus on capital delivery through a newly established Capital Programme Management Office, the current capital aspiration is overly ambitious.

6.41. In 2024/25 the budget allocated to the programme is £439.788 million (including schemes carried forward from prior year) and the forecast outturn as at period 5 is £369.056 million.

An in-year capital programme budget reset is proposed based on the period 6 forecast outturn position which will ensure that the budget required to finance the capital (interest & debt repayment) will reflect the council's performance more realistically. When considering the previous year's outturns against forecasts at this point of the year, there remains an optimistic projection of spend, if extrapolated for this year this would indicate an outturn of closer to £260 million should be anticipated. On that basis it is therefore not anticipated that the general fund borrowing headroom will be utilised in the current financial year.

6.42. The council may identify other funding sources, including grants and capital receipts, to finance additional capital expenditure and the MTFS also assumes that the council will continue to use the flexibility provided by government to use capital receipts to fund the revenue cost of transformation.

6.43. A feasibility fund is included within the capital strategy to enable development of schemes with sufficient robustness/certainty before they enter the development pool. The fund is created from any reduction generated in the current capital financing budget and the level of the fund would be established each year and be aligned to the volume and complexity of schemes at full mandate stage.

Ringfenced Funds – Indicative Funding Available

Public Health (PH) Grant

6.44. Public health services are funded by a ringfenced grant to the council which for 2024/25 was £36.4 million. The grant enables the Director of Public Health to discharge their statutory duties. Where appropriate we joint fund services with other bodies and receive income from partners for this purpose The grant is likely to continue to be subject to conditions on what it funds, including a ringfence requiring local authorities to use the grant exclusively for public health activity. The council will continue to make sure that the increased cost of services is contained within the envelope provided, whilst recognising that this is an increasing challenge due to inflationary pressures.

6.45. Within the council's earmarked reserve is a Public Health ringfenced reserve of £4.6 million (as at September 2024). There is a potential forecast draw down of £1.0 million in the current financial year leaving a balance of £3.6 million. The remaining balance is required to manage future risks and pressures within the service. It is contingency against inflation and unfunded pay awards, including NHS pay awards (Agenda for Change). It will also be assumed in plans to be developed over the medium term and to provide a small buffer for unexpected adverse grant allocations.

Dedicated Schools Grant (DSG)

6.46. A cumulative unmitigated deficit of £90.3 million is forecast at P5/Q2 at the end of 2024/25. This is mainly due to increased demand for Special Educational Needs provision within the High Needs Block (HNB). The main cost driver is the rise in demand for Education, Health and Care plans (EHCPs) following national reforms from 2014, increasing complexity of children's needs and the rising costs of out of authority placements. Demand continues to increase and despite additional funding from the Department for Education (DfE), it has not been possible to recover the deficit which began to accelerate in 2019/20. With support from Bristol Schools Forum, and through delivering an evolving Education Transformation Programme, the Education Service has been on the journey of improving experiences and outcomes of children and young people. The council is now participating in the DfE Safety Valve programme which is intended to manage the DSG deficit back to nil by 2030. Part of the Safety Valve Agreement brings in additional funding from the DfE to pay off, in part, the accumulated deficit alongside General Fund contributions from the council already approved as part of the previous budget. With these additional contributions the cumulative deficit is forecast to be £50.1 million at the end of 2024/25.

6.47. As yet there has been no announcement or guidance issued from the DfE on the DSG funding allocations for 2025/26. It has, however, been confirmed that the Education and Skills Funding Agency is being subsumed back into the DfE, therefore the DfE will become responsible for education funding directly.

6.48. Pending any information on the operation of the DSG for 2025/26 and beyond, the council is at this time assuming no major changes and that the DSG will still comprise four blocks: Schools, High Needs, Central School Services and Early Years. The council is also assuming that the national funding formula for schools will remain in operation and continue on the trajectory of removing local determination from councils. Whilst nationally there are calls to address the SEND and schools funding challenges through reform, there has as yet been no indication that changes are pipelined.

6.49. The underpinning assumptions in relation to each of the funding blocks are currently as follows:

- Small increases to the mainstream schools national funding formula (NFF) will continue and that funding will still be based upon pupil and school characteristics data from the 2024-25 Authority Proforma Tool, which itself is based on the adjusted October 2023 school census data.
- Actual Schools Block allocations for Bristol are expected to be published in December 2024.
- The actual High Needs Block allocation for Bristol will be published in December 2024.

6.50. The Central Schools Services Block will continue to fund ongoing responsibilities that local authorities continue to have for all schools. As has been practice in recent years, funding for historic commitments within this block is anticipated to reduce further for 2025/26 and actual allocations are expected to be published in December 2024. The council assumes that Schools Forum approval for central services spend will still be needed.

6.51. For 2025/26 the council will continue to set a local school funding formula, and the council will be required to move the local formula factor values closer to the NFF factor value.

6.52. The council also expects that minimum funding levels per pupil will increase, as has been recent practice, with a floor as to the minimum each pupil can attract into a school based upon key stage.

6.53. The council also assumes that the Minimum Funding Guarantee (MFG), which is a protection for schools against significant year-on-year changes in pupil led funding, can still be set locally to a value between +0.0% and +0.5%. Recent practice (for 2023/24 and 2024/25) has been to set the MFG at +0.0%. For 2025/26 the council will seek to set the MFG at the minimum allowed level again if local decision making remains.

6.54. The council assumes that block transfers will still be possible, and indeed the Safety Valve programme assumes a 0.5% transfer from School Block to High Needs will continue in order to pay back the accumulated deficit.

6.55. The Safety Valve Programme has been working with partners to develop the necessary transformations to both bring the High Needs Block back into balance and to provide the right level of support, meet needs, ensure effective use of local resources and achieve good long-term outcomes for children and young people with SEND.

6.56. The six-year DSG forecast position is summarised in the table below.

Table 7: DSG – 6 Year DSG Forecast Position

	Outturn						
Table DSG MP: DSG Forecast Position	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
Income/Surplus should be shown as negative	**Actual**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Brought Forward unmitigated deficit	39,681	58,626	87,415	110,340	120,220	122,362	116,192
Total Expenditure	471,217	524,096	547,793	568,268	588,700	609,173	629,881
DSG Income	(452,272)	(491,158)	(504,124)	(517,479)	(531,234)	(545,402)	(561,991)
Schools Block 0.5% (Subject to SF Approval)		(1,722)	(1,774)	(1,827)	(1,882)	(1,938)	-
Funding gap carry forward to future years	**58,626**	**89,842**	**129,311**	**159,303**	**175,804**	**184,196**	**184,082**
Mitigation Proposals							
Annual Indicative Proposed Mitigations	-	(2,293)	(15,975)	(33,597)	(45,492)	(57,369)	(69,248)
DBV Stretched confidence benefits - annual	-	(134)	(1,812)	(3,777)	(5,888)	(8,255)	(10,888)
Additional Funding for new Maintained Specialist Provision Places	-	-	(1,184)	(1,709)	(2,062)	(2,379)	(2,488)
Total Mitigations	**-**	**(2,427)**	**(18,971)**	**(39,083)**	**(53,441)**	**(68,003)**	**(82,624)**
Mitigations cumulative	-	(2,427)	(18,971)	(39,083)	(53,441)	(68,003)	(82,624)
Funding Gap after proposed mitigations	**58,626**	**87,415**	**110,340**	**120,220**	**122,362**	**116,192**	**101,458**
In year net position deficit / (surplus)	18,945	28,789	22,925	9,880	2,143	(6,170)	(14,734)

6.57. Based on latest forecast (as of P05, August 2024), it is estimated that the High Needs Block could achieve an in year balanced budget position in 2028/29 if all expected Safety Valve benefits are achieved. It is worth noting that forecasts for 2025/26 and onwards are based on multiple factors including known demand, growth expectations and inflationary costs, changes in the provision mix in addition to assumptions around sufficiency and new placements becoming available.

6.58. The council is continuing work with the DfE to drive the improvements required in the outcomes for children with additional and special educational needs and to achieve a sustainable balanced in-year financial position for the DSG. In addition, the council has agreed to contribute £46.5 million to the DSG from the General Fund over the period to 2029/30 recognising the collaborative approach adopted to date and the significant contribution that schools have and continue to make in investing in the Safety Valve Programme. In considering future budgets, a 0.5% transfer from the Schools Block to the High Needs Block has been included in our forecast, whilst recognising that this will require approval from Bristol Schools Forum in each year.

6.59. The early years sector is experiencing significant funding pressures which if not addressed will impact on its capacity to support the most vulnerable children and, potentially, missed early intervention opportunities. Lack of adequate funding for the sector will have knock-on effects for primary and special schools as children move on to the next phase.

6.60. In all of the above examples we have assumed no changes in pupil numbers or composition. A consultation will soon be underway with schools and the outcome will be reported to the Schools Forum. The final Authority Proforma Tool (APT) containing the actual figures and basis for 2025/26 funding is expected to be issued in December 2024.

Housing Revenue Account (HRA)

6.61. The Housing Revenue Account (HRA) is a ringfenced account containing the income and expenditure relating to the council's landlord duties in respect of circa 28,600 dwellings including those held by leaseholders. This means the HRA does not receive any subsidy from the government or from Council Tax and surpluses or deficits generated each year would be transferred to / from the HRA general reserve. The HRA is not allowed to subsidise the General Fund and legislation sets out those items that can be charged to the account.

6.62. The HRA budget is prepared each year in accordance with the requirement to set a 30-year business plan. The business plan undergoes a full review annually allowing for horizon-scanning and mitigation of risks in the short, medium & long term, ensuring there are sufficient resources to meet future operational commitments.

6.63. The HRA activities are a key element in delivering the council's priorities in the Corporate Strategy. The key areas of expenditure are the delivery of housing management services plus repairing, maintaining & improving existing housing stock. Provision is made to ensure compliance with legislation and national policy, including meeting decent homes standards and building & safety regulations.

6.64. The rent standard currently allows rents to increase by 1% above inflation (CPI +1% - based on the previous September's CPI rate). CPI in August 2024 was 2.2% and forecasts are indicating a similar level for September at the time of writing. This would result in a maximum allowable increase in rents of 3.2%. The current rent policy of CPI +1% currently runs until 31 March 2026. Assumptions in our planning are at present that inflationary increases beyond that will be limited to CPI only. However, reports are circulating of the government's possible intention to agree to a ten year rent settlement of CPI +1%. It is hoped confirmation, or otherwise, of this policy will be delivered on 30 October as part of the autumn statement and should this policy approach be taken we would review our current assumptions through the development of the 30-year plan to reflect that.

6.65. As it forms the majority of income into the HRA, decisions regarding annual rent and service charge setting will impact on the level of resource available. The current economic picture has resulted in an increase in arrears from 2023/24 with overall collection rates for the year to date reducing from 98.0% to 97.6%. However, this includes the impact of the billing cycle for leasehold service charges, which are billed at the start of the year and are collected throughout the year. The increased costs for goods and services resulting from inflationary pressures would have to be met by rents and by modifying service delivery.

6.66. The forecast dwelling rental charges and other income is estimated to generate £147.8 million in 2024/25 for the delivery of HRA activities. Although the wider economic landscape is more settled than it has been for the last two years, with inflation returning to levels close to the Bank of England target, and reductions in interest rates now being made, the impact of previous high inflation levels are baked in to base costs of goods and services. These higher costs, along with the restricted increase in rents for 2023/24 continue to pose a financial risk to the HRA. It is also worth noting that for the vast majority of homeowners, the increase in the Bank of England base rate from historic lows of 0.1% in 2020 to the current level of 5.00%, will not be felt until their fixed rate mortgage deals expire. This has the potential to lead to an increase in demand for social housing in the coming years.

6.67. The opening balance on the HRA reserve on 1 April 2024 was £82.5 million. This comprises £72.1 million HRA general reserve plus £10.3 million HRA major repairs reserve. At Period 5 an adverse variance of £14.8 million has been forecast in the revenue account. This level of overspend has resulted in the HRA being in a position where it cannot borrow to fund its ambitious capital programme. As a result, review of the programme is now being undertaken to close this gap. In addition to the reserves, the council can access multiple other sources of financing including grants, borrowing, developer contributions, capital and RTB receipts, and revenue contributions to capital outlay (RCCO) to fund its capital programmes.

6.68. Any investment decisions will be appropriately risk assessed and based on affordability, sustainability and optimisation of resources, with the appropriate funding profiled to match anticipated spending. A minimum HRA balance must be retained and a clear strategy outlined in approved plans for repaying new borrowing within strict time periods.

6.69. As part of the budget setting process, the influences outlined above will be appraised and continuously monitored.

New Priority Investments / Reserves

6.70. The MTFS is underpinned by the key strategic priorities for the council and will need to ensure that resources are aligned with their delivery. The intent of the MTFS is to set out the financial implications for the council and consider the Corporate Strategy, objectives, and policies against the resources projected to be available. This then provides a basis for service decision making.

6.71. Any update of the MTFS needs to be cognisant of the cost of living and inflationary national context and the need to maintain the integrity of the council's financial position and future sustainability, to support our communities.

6.72. These strategic priorities will sit alongside our continued efforts to build and embed our One Council approach, with a sustainable platform that will drive council activity in the years ahead. Within each of the 7 themes are a range of projects and proposals, which reflect the scale of the council's ambition for the area and critically, each has an important part to play in managing future demand on council services.

6.73. The strategic and risk framework requires appropriate oversight and governance of the achievement of the council priorities and to ensure it is delivered through effective programme management. Where performance indicators are not on target, corrective action will be required.

7. Scenario Modelling and Sensitivity Analysis

General Fund Scenarios

7.1. In line with the best practice recommended through the CIPFA Financial Management Code and reflecting the uncertainty around funding and risks remaining to the council which has a significant impact on the ability to forecast with accuracy, we are aware that the forecast at this stage is subject to change with the scale and volatility of the current climate.

7.2. Owing to these uncertainties and from the lack of clarity about what the government's plans for local government funding will mean for the council, financial projections have been prepared for three different scenarios, as follows:

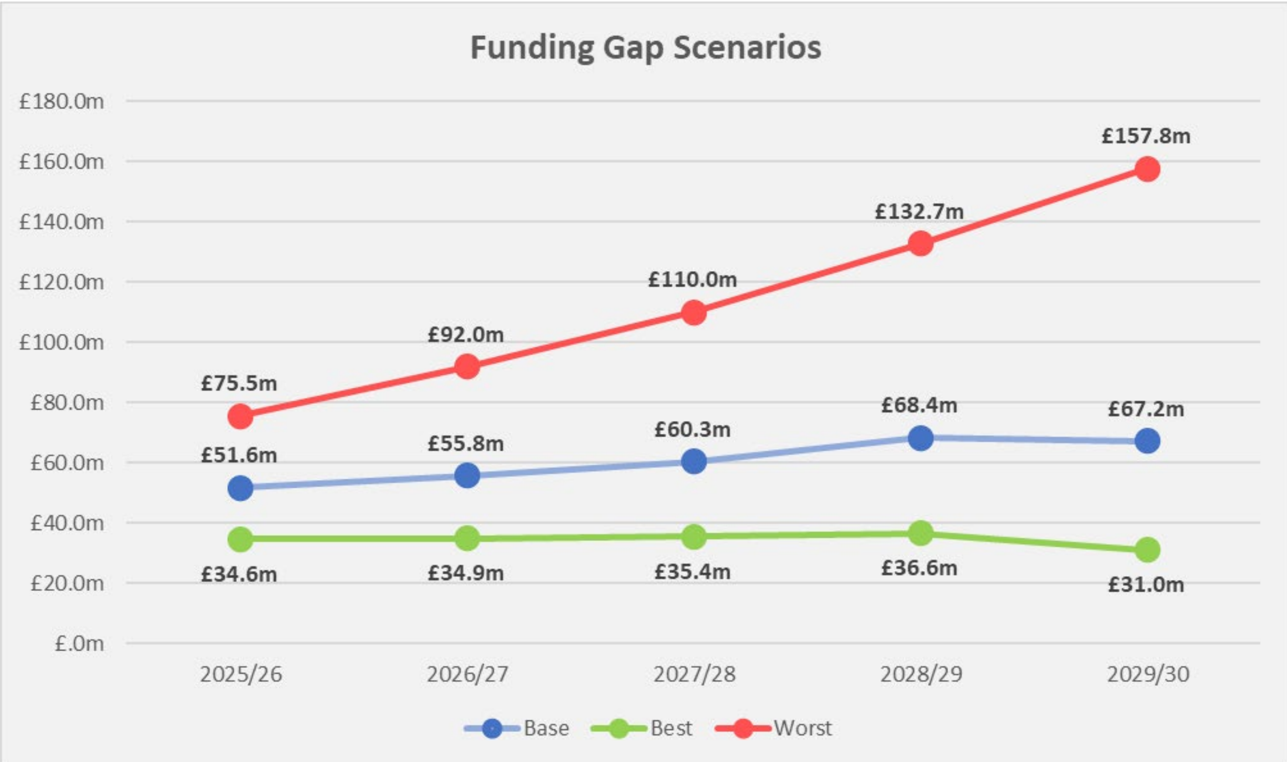
- **Base-case scenario** – refers to the typical, realistic or most likely scenario
- **Best-case scenario** – refers to the most favourable or optimistic projected outcome
- **Worst-case scenario** – refers to the most extreme situation that can happen if things do not go as planned

7.3. The budget approved by Council in February 2024 achieved a balanced budget across the medium term. The changes that are outlined in the scenarios are in addition to the provisions made in the base MTFS model for 2024/25 to 2028/29 (as outlined in the main body of the MTFS report).

7.4. The scenarios assess the effect of changing key input variables at the same time and determine the different possible events that could occur in the future. We have also examined the effect of changing just one variable at a time and assessed which of the variables our funding gap is particularly sensitive to.

7.5. This approach produces a range of funding gap outcome scenarios as set out below, with peak funding gaps at the end of the MTFS period ranging from £31.0 million to £157.8 million, of which there is a £34.6 million to a £75.5 million deficit range applicable to the 2025/26 financial year.

Figure 3: Funding Gap Scenarios



Base Case

7.6. The base case reflects a prudent approach to assessing the key assumption changes since the budget was agreed in February 2024 and indicates a peak funding gap of £68.4 million arising by 2028/29 (£67.2m by 2029/30), with £51.6 million arising in 2025/26.

7.7. This ‘base’ case is what has been set out throughout this report and is the realistic scenario, with the key drivers being the recurrent net service pressures from 2024/25 being carried forward into 2025/26, combined with the emerging service pressures and assumption increases around inflation, offset by changes in assumptions around core funding.

7.8. The base case does not at this time include a review of reserves, where there are known reserve pressures around the level of the General Reserve required to maintain policy thresholds in light of increasing net budget requirements, and other pressures including PFI. The review of reserves will aim to manage these reserves pressures in the first instance through release and redirection of other reserve flexibility before impacting the MTFS revenue projections.

Table 8: Base Case Indicative Funding Gap

2024/25 £'m	Description	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m
533.721	Original Forecast Budget Requirement	538.060	554.217	572.448	585.691	585.691
	Recurrent and New Service Pressures					
	Recurrent & New Service Pressures	54.196	55.794	60.350	68.365	79.963
	Corporate Pressures					
	Pay Award & NIC	-	-	-	-	4.710
	Inflation & Levies	-	-	-	-	6.321
	Total Pressures	**54.196**	**55.794**	**60.350**	**68.365**	**90.994**
533.721	**Indicative Budget Requirement**	**592.256**	**610.011**	**632.798**	**654.056**	**676.685**
(533.721)	Original Forecast Available Funding	(538.060)	(554.217)	(572.448)	(585.691)	(585.691)
	Funding Changes					
	Collection Fund Outturn	(2.597)	-	-	-	-
	Additional Council Tax	-	-	-	-	(18.938)
	Council Tax Second Home Premium	-	-	-	-	(0.167)
	Business Rates Multiplier / Growth / 100% Retention	-	-	-	-	(2.208)
	Movement To / (From) Reserves	-	-	-	-	(2.436)
(533.721)	**Indicative Core Funding**	**(540.657)**	**(554.217)**	**(572.448)**	**(585.691)**	**(609.440)**
-	**Base Case Funding Gap**	**51.599**	**55.794**	**60.350**	**68.365**	**67.245**

Best Case

7.9. If we take an imprudent view of assuming the best possible outcome in the case of every variable factor within the MTFS we reach a ‘best’ case scenario. Even in the best case this still presents a budget pressure peaking at £36.6 million in the penultimate year of the MTFS period.

7.10. It should be noted that many of the key factors are outside of the council’s control, most notably core and specific funding and increases to government funding allocations for the council.

Table 9: Best Case Indicative Funding Gap

2024/25 £'m	Description	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m
533.721	Original Forecast Budget Requirement	538.060	554.217	572.448	585.691	585.691
	Recurrent and New Service Pressures					
	Recurrent & New Service Pressures	47.820	49.230	53.250	60.322	69.258
	Corporate Pressures					
	Pay Award & NIC	(0.511)	(1.392)	(0.619)	(0.208)	4.499
	Inflation & Levies	(2.985)	(4.470)	(5.870)	(7.697)	2.673
	Capital Financing	(0.681)	(0.899)	(1.008)	(1.033)	(1.058)
	Total Pressures	**43.643**	**42.469**	**45.754**	**51.385**	**75.372**
533.721	**Indicative Budget Requirement**	**581.703**	**596.686**	**618.202**	**637.076**	**661.063**
(533.721)	Original Forecast Available Funding	(538.060)	(554.217)	(572.448)	(585.691)	(585.691)
	Funding Changes					
	Collection Fund Outturn	(2.597)	-	-	-	-
	Additional Council Tax	(3.112)	(3.281)	(3.457)	(3.645)	(22.764)
	Council Tax Second Home Premium	-	-	-	-	(0.167)
	Business Rates Multiplier / Growth / 100% Retention	(3.373)	(4.331)	(5.487)	(6.876)	(10.473)
	Other Core Grants	-	-	(1.409)	(4.254)	(8.565)
	Movement To / (From) Reserves	-	-	-	-	(2.436)
(533.721)	**Indicative Core Funding**	**(547.142)**	**(561.829)**	**(582.801)**	**(600.466)**	**(630.096)**
-	**Base Case Funding Gap**	**34.560**	**34.857**	**35.401**	**36.610**	**30.967**

Worst Case

7.11. If we assume the worst outcome in the case of each of the key variable factors we reach the 'worst' case view. This would indicate a peak funding gap of £157.8 million by 2029/30, with £75.5 million gap in 2025/26. This scenario assumes inflation levels remain higher, along with a poor financial settlement and that service pressures will be higher than currently assessed.

Table 10: Worst Case Indicative Funding Gap

2024/25 £'m	Description	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m
533.721	Original Forecast Budget Requirement	538.060	554.217	572.448	585.691	585.691
	Recurrent and New Service Pressures					
	Recurrent & New Service Pressures	63.760	65.641	71.000	80.430	96.021
	Corporate Pressures					
	Pay Award & NIC	2.195	4.421	7.022	9.536	16.876

	Inflation & Levies	3.332	7.058	10.821	14.848	35.258
	Capital Financing	0.681	0.899	1.008	1.033	1.058
	Total Pressures	**69.968**	**78.018**	**89.850**	**105.845**	**149.212**
533.721	**Indicative Budget Requirement**	**608.028**	**632.235**	**662.298**	**691.536**	**734.903**
(533.721)	Original Forecast Available Funding	(538.060)	(554.217)	(572.448)	(585.691)	(585.691)
	Funding Changes					
	Collection Fund Outturn	(2.597)	-	-	-	-
	Additional Council Tax	3.112	6.392	9.850	13.494	(1.619)
	Council Tax Second Home Premium	-	-	-	-	(0.167)
	Business Rates Multiplier / Growth / 100% Retention	3.373	4.331	5.487	6.876	4.668
	Other Core Grants	1.620	3.240	4.860	6.480	8.100
	Movement To / (From) Reserves	-	-	-	-	(2.436)
(533.721)	**Indicative Core Funding**	**(532.551)**	**(540.254)**	**(552.251)**	**(558.841)**	**(577.145)**
-	**Base Case Funding Gap**	**75.476**	**91.981**	**110.047**	**132.695**	**157.757**

Funding Gap Sensitivities

7.12. Sensitivity considers the key cost drivers assumed and their respective financial impact. Key areas that drive this variation between base, best and worst cases include:

- Recurrent and new service pressures – the base case assumes 85% of the pressures currently being reviewed through check and challenge will crystalise, whereas the best case stands at 75%, with the worst case at 100%.

- Pay pressures - the base case assumes that pay inflation can be contained at 2%, whilst the worst case projects a 3% inflation factor and the best case looks at a marginal reduction only against the base position.

- Inflation & levies – the base case holds our existing planning assumptions around inflationary interest, which for 2024/25 builds in assumptions of a total of £8.2 million inflationary assessment, with a worst case assessment rising to a pressure of £11.5 million, whilst the best case reduces assumptions in 2024/25 to £5.2 million. These reflect a variety of fluctuations around inflation percentages for particular areas of contract inflation including Adult Social Care, Children's Social Care, Home to School Transportation, Temporary Accommodation, waste, PFI and energy.

- Funding - key sensitivities are around additional council tax and business rates, with the former assuming that the social care precept isn't available over the full 5 year period of the MTFS for the worst case scenario and on business rates where in the worst case scenario the assumption that our rates growth is 10% less than currently anticipated.

8. Budget and MTFS Approach

8.1. Underpinning the development of the financial strategy are key strategy principles around investment, spend and efficiency / savings, with a view to maximising financial sustainability, minimising taxpayer subsidy and ensuring effective use of our resources. The detail of these can be seen in Appendix A4.

8.2. The council has been in a cycle of increasing costs and real-terms reductions in funding for over a decade and has historically identified c.£250 million of savings over the last 10 years. This means the challenge to identify service efficiencies and reductions within the bounds of our legal requirements is becoming ever more challenging.

8.3. The council has experienced a period of sustained increase in demand resulting from current global market factors over the last several years, which has further increased in the current financial year, particularly for some of the key services it provides to the most vulnerable members of the community, most notably within adult and children’s social care, education and housing services. Inflation levels over the last few years have been substantial and although inflation levels are now stabilising the cost growth to services has been significantly higher in recent years than we have experienced before. We now need to consider, based on the current evidence and trajectories, that it is likely that growth will continue in the areas of demand in the period covered by this plan.

8.4. As at September 2024, we estimate a peak funding gap of £84.7 million. This is a significantly more challenged position than of recent years and with such a substantial funding gap our council budget will need an approach that targets opportunities and savings across the breadth of the council. We will continue our existing approaches to increasing external incomes and driving an improved application of external funding aligned to transformation and council objectives, as well as stretching and delivering on transformation to improve outcomes and improved value for money, which will need to include a clear focus on investing capital where it will be of benefit to the ongoing revenue position of the council, as well as continuing the drive around efficiencies. Alongside this we will need to review discretionary spend and spend on core services that it is above and beyond our requirement to deliver.

8.5. A range of measures are being developed, which will be explored and where appropriate details further developed for presentation to Council as options for consideration in closing the identified budget gap. A collaborative approach to savings is being taken this year, with services working together in consideration of transformation and other opportunities through forums from the Corporate Leadership Board to Senior Leadership Forums. In addition, our Transformation and Programme offices are supporting to drive forward the transformation programme opportunities. We have also launched a staff ideas process to ensure all officers are able to put forward suggestions into the cross-working groups and directorate savings development groups. To further embed the collaborative approach and provide check and challenge around what is coming forward, Savings Review Groups, with cross-service representation, are being put in place.

8.6. There are many different scenarios and improved practices that will support the council in bridging the gap. These are outlined in the Financial Principles (Appendix 4). Below are key areas that will align with the approach being proposed in this strategy:

- Ensuring that all funding bids made can be fully justified by an identifiable need and can be linked to the strategic priorities and objectives of the council.

- We will continue to work internally and externally with our partners locally, regionally and nationally to refine forecasts, assumptions, gather evidence and where appropriate jointly commission to achieve scale in our response and drive value.

- We will assess and challenge the value for money (economy, efficiency and effectiveness) provided by each service through the service & financial planning process.

- We will seek to ensure that new burdens are appropriately costed, funded and that mechanisms are in place to make representation where required and prevent permanent commissioning against short term resources.

- We will adopt a multi-faceted approach, collective leadership and genuine collaboration across the council and finance, to have the right resources working effectively to manage the pressures and identify suitable and innovative solutions to meet need and manage the associated spending, in a sustainable manner.

- We will remain resilient through uncertainty, maintaining an adequate level of reserves, regularly review their planned use, redirection and allocation to support delivery of our priorities and management of our risks and where the funds are still required, they will be subsequently replenished.

- We will continue national and regional monitoring and lobbying, to encourage the government to provide funding to meet the cost of new burdens and new legislative or regulatory requirements.

- We will on an ongoing basis review the capital programme financing and debt portfolio, with a particular emphasis on future year's commitments that could be financed or alternatively refinanced by alternative sources.

- We will ensure a long-term sustainable view is taken of our investments and that appropriate risk analyses are used when considering new investments.

- We will undertake detailed deep dives on service areas with material emerging pressures and deficit and consider the robustness and likely cashable benefit realisation from the associated recovery and transformation plans.

- We will maintain sufficient reserves and balances to manage known risks and events and maintain financial resilience.

Budget Timetable

8.7. Outlined below is the indicative timetable for the development of the 2025/26 Annual Budget for the General Fund including Public Health, Housing Revenue Account, Harbour Account, Dedicated Schools Grant and the council's 2025/26 – 2034/35 Capital Programme. Please note that in some instances dates are indicative or to be confirmed and as such may be subject to change.

Table 11: Budget Timetable Latest Timeline

Meeting	Date	Content / Purpose
DSG Schools Budget Consultation	09/10/2024	Consultation Launch (Date indicative)
Strategy & Resources Policy Committee	**14/10/2024**	**Medium Term Financial Strategy and Capital Strategy**
General Fund Public Budget Consultation	16/10/2024	Consultation Launch (Date indicative)
Chancellors Autumn Statement	30/10/2024	Government Budget Indications

DSG Schools Budget Consultation	06/11/2024	Consultation Close (Date indicative)
General Fund Public Budget Consultation	27/11/2024	Consultation Close (Date indicative)
Strategy & Resources Policy Committee	**16/12/2024**	**Collection Fund and Council Tax Base, Fees and Charges and HRA Rent Setting and Service Charges**
Provisional Local Gov't Finance Settlement	19/12/2024	Settlement (Date indicative)
MHCLG Policy Statement	20/12/2024	Policy Statement (Date indicative)
Full Council	**14/01/2025**	**Collection Fund and Council Tax Base, Fees and Charges and HRA Rent Setting and Service Charges**
Strategy & Resources Policy Committee	**03/02/2025**	**Budget & Medium Term Financial Plan Recommendation**
Full Council	**25/02/2025**	**Budget & Medium Term Financial Plan Approval**
Reserve Full Council	**06/03/2025**	**Budget & Medium Term Financial Plan Approval (Reserve)**

9. Reserves

The council holds reserves as part of its approach to maintaining a sound financial position, planning effectively for our known and potential one-off liabilities and to enable it to be resilient to future shocks, stressors and emergency situations that it may encounter in the future.

An essential part of the financial planning process of the council is a robust policy on the level and nature of reserves.

9.1. Approval of the reserves policy is one of several related decisions in the formulation of the council's Budget and Medium Term Financial Planning in February 2025. The level of useable reserves held is also one of the suite of tools utilised to demonstrate that there are no material uncertainties about whether the council remains as a going concern over each of the years of the medium term plan.

9.2. The draft reserves strategy is included at appendix 3 and contains key strategy principles of:

- Reserves are one-off monies that should not be applied to manage on-going financial commitments.
- Reserves will only be used for the purpose for which they were created.
- Appropriate levels of reserves are held to assure financial resilience (minimum 5-6% net budget requirement) and to meet the strategic, operational and financial risks facing the council.

9.3. Usable reserves are broadly considered cash based (with the exception of the DSG deficit reserve) and as at 1 April 2024, the trend in the council's usable reserves and forecast in general and earmarked reserves was as follows:

Table 12: Usable Reserves

Reserve Name As at 31 March	2022 £m	2023 £m	2024 £m
General Reserve	(40.074)	(29.525)	(29.522)
DSG Deficit Reserve	24.650	39.681	37.106
Schools Reserve	(5.604)	0.758	2.529
Earmarked Reserve	(288.568)	(236.061)	(243.371)
Total Revenue Reserves	**(309.596)**	**(225.147)**	**(233.258)**
Schools Capital	(3.554)	(3.554)	(2.114)
Capital Receipts	(79.775)	(82.543)	(41.477)
Capital Grants Unapplied	(3.555)	(3.131)	(1.597)
Total Capital Reserves	**(86.884)**	**(89.228)**	**(45.188)**
Total All Funds	**(396.480)**	**(314.375)**	**(278.446)**

Table 13: General and Earmarked Reserves (Indicative Outlook)

Opening balance 2024/25 £m		Opening balance 2025/26 £m	Opening balance 2026/27 £m	Opening balance 2027/28 £m	Opening balance 2028/29 £m	Opening balance 2029/30 £m
(156.260)	GF Earmarked Reserves	(122.103)	(121.422)	(108.774)	(103.211)	(105.741)
(29.522)	General Reserves	(32.997)	(33.997)	(34.747)	(35.497)	(35.497)
(4.633)	Public Health Reserves	(4.040)	(4.040)	(4.040)	(4.040)	(4.040)
37.106	DSG Deficit Reserve	49.285	55.6	50.066	43.7	29.021
2.529	Schools Reserves	5.937	7.023	4.660	2.171	(0.099)
(82.478)	HRA (Incl.Major Repairs) Reserve	(27.377)	(27.924)	(24.483)	(29.052)	(29.633)
(233.258)	**Total General and Earmarked**	**(131.295)**	**(124.760)**	**(117.318)**	**(125.929)**	**(145.989)**

9.4. While the council will not hold reserves above those assessed as required for the medium and long term plan, a decreasing trend as outlined in the tables above indicates a reduction in the buffer to meet short-term needs and could potentially increase the dependency on long-term borrowing to fund expenditure as the fall back on reserves for internal borrowing (which the council has benefited from for many years), to meet future large-scale investment projects, may not be available.

9.5. Some of these usable reserves are subject to restrictions on their usage. These include:

- Schools Reserve – for use in schools as governed by the Scheme for Financing Schools.

- Capital Grants Unapplied – specific capital projects, restricted by the grant terms and conditions.

- Capital Receipts – proceeds from the sale of assets - in accordance with regulations these funds can only be used for capital purposes or set aside to repay debt and additional flexibilities provided via the Flexible Use of Capital Receipts policy.

9.6. The HRA reserve policy requires a HRA major repairs reserve of at least £10 million and a HRA general reserve of at least £26 million (after provisions for any known liabilities) and the current balances are within these parameters. The General Fund general reserve policy is that an unallocated general reserve will be retained of at least 5-6% of the net revenue budget, subject to the sensitivity and risks in the financial plans, to which the council is exposed.

9.7. The table below shows the current year forecasted general fund reserve opening balance for each year of the MTFS and the percentage of net budget and turnover days, based on the indicative net budget requirement as outlined in this report and the indicative net budget adjusted to the core funding available. The percentage of net budget ranges from 5.57% in the next financial year to 5.25% by 2029/30, with turnover days from 20 to 19 across the same period, indicating that a transfer to general reserve in the latter years of the 5 year medium term would be required to maintain a minimum of circa 5.5% and 20 days turnover cover across the period of the plan.

Table 14: General Fund assumptions as % of net budget and turnover days

2024/25 £m	Indicative Base Budget Requirement	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
(29.522)	General Fund Reserve@ 1 April	(32.997)	(33.997)	(34.747)	(35.497)	(35.497)
538.060	Indicative Net Budget Requirement	592.256	610.011	632.798	654.056	676.685
5.49%	General Fund % of Net Budget	5.57%	5.57%	5.49%	5.43%	5.25%
20	Turnover Days	20	20	20	20	19
538.060	Indicative Core Funding Available	540.657	554.217	572.448	585.691	609.440
5.49%	General Fund % of Net Budget	6.10%	6.13%	6.07%	6.06%	5.82%
20	Turnover Days	22	22	22	22	21
Indicative Increase to maintain c. 5.5% and 20 days turnover cover		-	-	(0.1)	(0.4)	(1.2)

9.8. The updated reserves policy is enclosed at Appendix 3 and sets out the management and governance of the funds to increase stewardship, transparency, and reporting. The level of the general reserve will continue to be reviewed annually as the iterative MTFS work progresses, to ensure it is sufficient for the level and type of risks to which the council is exposed.

9.9. The council's Earmarked Reserves at 1 April 2024 was £160.9 million (including Public Health of £4.6m). The council's earmarked reserves are currently categorised by type and summarised in the following way:

Table 15: Description of reserve types

Reserve Type	Actual opening balances as at 01 April 2024 £m	Description
Capital Investment	(38.609)	The capital reserve is maintained to provide funding for the council's capital and commercial investments.
Risk and Legal	(33.607)	Risk Reserves Funds set aside to mitigate risks not otherwise provided for as well as commission advice and mitigate risks of potential litigation/claims.
Statutory/Ring-Fenced	(71.816)	Amounts required by statute or accounting code of practice to be set aside and ring-fenced for specific purposes, e.g. Public Health Reserve, City Deal Business Rate Pooling.
Business Transformation	(9.554)	Amounts required for expenditure on business activities, projects and capacity that is critical to delivering the councils' improvement agenda.
Financing	(0.000)	Includes PFI sinking fund, grant income carried forward in accordance with accounting regulations.
Service	(7.307)	Amounts set aside to finance specific projects or to meet known expenditure plans, for example election reserve for local elections.
Total Earmarked Reserves	(160.893)	

10. Risk Management

10.1. The Medium Term Financial Strategy needs to be seen in the context of significant inherent uncertainty for the council in terms of future funding, spending, investment and efficiency assumptions. The council's current and future financial position is subject to a number of threat risks, the two prominent ones regularly reviewed are:

- Failure to be able to reasonably estimate and agree the financial envelope available, both annually and in the medium term, and that the council is unable to set a balanced budget.

- The council's financial position goes into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the council's reserves policy.

10.2. We will refresh the Corporate Risk Register to appropriately reflect the key risks which have materialised from the MTFS refresh and ensure close monitoring and transparent reporting on progress and actions.

10.3. Uncertainty in government funding and challenges in the financial position continue to press upon the council, with pace of change continuing to be high. Whilst this brings risk there is also potential for opportunities and we will continue to proactively manage both to support delivery of strategic objectives, to improve service delivery, to achieve value for money and reduce unwelcome surprises.

10.4. In developing the 2025/26 budget to be presented to Council for approval we will consider the key corporate and service risks that we face, how we propose to address these risks and the sufficiency of the financial provisions made, and contingencies and reserves held, to ensure a balanced, sustainable and resilient position can be achieved.

11. Consultation and Cumulative Equalities Impact Assessment

11.1. The council will continue to work to deliver efficient services that provide value for money. Proposals developed where relevant and proportionate will be subject to internal, external and public consultation. We need to ensure that optimal choices being made are done on a fully informed and transparent basis.

11.2. The council's budget planning framework is supported by the development of cumulative Equality Impact Assessments (EqIAs) for the budget proposals, identifying possible disproportionate impacts in relation to groups with protected characteristics. The EqIAs will also identify potential mitigation where applicable. Where required, specific consultations will also be launched and made available via the council's website.

11.3. The council maintains its strong commitment to equality, and the EqIAs help us to arrive at informed decisions and to make the best judgements about how to target resources.