

Full Council

23 February 2020



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| Report of: | Denise Murray, Chief Finance Officer & S151 Officer |
| Title: | 2021/22 Budget Report |
| Ward: | City Wide |
| Member Presenting Report: | The Mayor and the Deputy Mayor / Cabinet Member for Finance, Governance and Performance |

Recommendation

For Council to consider and approve the Mayor's 2021/22 Budget recommendations which include the various elements of the Revenue budget, Capital programme, Bristol City Council's Council Tax for 2021/22 and Adult Social Care Precept.

To note additional information has been added to the following areas since Cabinet on 26 January 2021 and 3 February 2021 to reflect additional information from each individual budget report.

- Dedicated Schools Grant (Paragraph 9)
- Housing Revenue Account (Paragraph 11)
- West of England Combined Authority (paragraph 12)



1. MAYOR'S BUDGET RECOMMENDATIONS TO COUNCIL

The approval of Mayor's budget proposals to Council in respect of 2021/22 as set out in this report, subject to any amendments agreed at the meeting:

To note:

- a) The report from the Scrutiny Budget Task and Finish Group.
- b) The budget consultation process that was followed and feedback as outlined in Section 17 and Appendix 6.
- c) The categorisation of earmarked reserves and provisions set out in Section 16.
- d) That the consultation feedback and equality impact assessments relevance checks have been taken into consideration and have informed the final budget proposals.
- e) The feedback provided by the Schools Forum at Cabinet and Council, for their consideration in making final decisions on the Schools Budget for 2021/22.
- f) The uncertainty around COVID response spend, COVID income loss and central government COVID funding levels for the full impact 2021/22 and beyond, and that the estimates provided could be subject to significant change over the medium term.
- g) The comments of the Chief Finance Officer (s151 Officer) on the robustness of the Budget and adequacy of reserves as set out in Section 15.
- h) The Council's Ethical Investment Policy and Strategy is due for revision during 2021/22, which will be expanded to incorporate Equitable Policy for Investment in addressing racial and other economic inequalities in the city.
- i) The delegation of authority to the Director of Finance after consultation with the Deputy Mayor, Cabinet Member for Finance, Governance and Performance and the Mayor, to make any necessary technical adjustments or adjustments to the figures upon receipt of the final Local Government Finance Settlement, West of England Combined Authority Budget and Department for Education funding clarifications; with transfers to and or from reserves as appropriate.

To agree:

- j) The Bristol City Council levels of Council Tax increase of 4.99%; which includes 3% precept to support Adult Social Care, noting the precepts of the Police and Crime Commissioner for Avon and Somerset and the Avon Fire Authority,
- k) The Council's General Fund net revenue budget for the year 2021/22 as £424.1 million and expenditure allocations as set out in Appendix 1; subject to any budget amendments properly notified to and approved by the Council in line with the Constitution.
- l) The temporary movement in general reserves of up to £3.9 million to mitigate the forecasted year end emergent pressures in the People directorate as outlined in Section 5 Current Revenue Budget.
- m) Agree the Council's capital budget for the years 2021/22 - 2025/26, totalling £890.1 million as set out in paragraph 13 and detailed in Appendix 2.

- n) The proposed Treasury Management Strategy for 2021/22 in Appendix 4, incorporating the Minimum Revenue Provision policy and the prudential indicators and limits.
- o) To approve the Strategy for the Flexible use of Capital Receipts as set out in Appendix 5.
- p) Delegation of authority to Cabinet, via a subsequent report to agree the detailed Public Health Budget and movement in the ring-fenced Public Health reserve upon receipt of the final grant allocation for 2021/22 and budget proposals from the Director of Public Health in consultation with the Deputy Mayor and Cabinet member for Communities, Equalities & Public Health and Director of Finance.
- q) the calculations for determining the Council Tax requirement for the year 2021/22 as outlined in Appendix 8 and in accordance with the Local Government Finance Act 1992.

To agree:

- r) The distribution of the 2021/22 Dedicated Schools Grant of £404.7 million as recommended by Cabinet and the Schools Forum and set out in section 9

To agree:

- s) No increase to dwelling rents for 2021/22 for existing tenants
- t) The 1-year Revenue budget for 2021/22 and 5-year Capital Programme 2021/22 – 2025/26, as detailed in Appendix 2, noting there is no additional borrowing requirement before 2024/25.
- u) An in-year draw-down from the HRA General Reserve to fund planned HIP works carried forward from 2020/21 due to Covid restrictions.
- v) Approve the delayed draw-down in 2021/22 from general fund reserve, of an agreed 2020/21 budget amendment (£100k) which was previously approved by Full Council Feb 2020, due to delays during the pandemic. This reserve was set aside to finance training for Housing and Landlord Services that would provide in-house skills to retrofit energy efficiency measures to council homes.
- w) Authorise the Executive Director of Growth and Regeneration, in consultation with the Cabinet Member for Finance, Governance and Performance, to set service charges in line with the anticipated and actual cost of delivery.

2. LIST OF APPENDICES

This report should be read alongside a series of appendices:

- Appendix 1 – Detailed Budget Summary by Directorate
- Appendix 2 – Capital Programme 2021/22 – 2025/26
- Appendix 3 – Budget Risk Matrix
- Appendix 4 – Treasury Management Strategy
- Appendix 5 – Flexible Use of Capital Receipts Strategy
- Appendix 6 – Budget Consultation Report
- Appendix 7 – Equalities Impact Relevance Check
- Appendix 8 – Statutory Calculations in respect of Council Tax

3. EXECUTIVE SUMMARY

3.1. The council has a legal responsibility to set an annual balanced budget (Local Government Finance Act 1992) which sets out how our financial resources are to be allocated and utilised. We have been successful in managing our finances and not only setting an balanced budget annually but also taking a medium-term approach, we can invest in and redirect resources to the areas with high priority, seek to protect the most vulnerable and to invest in our city during these uncertain times to build confidence for the future.

3.2. The Government's recent spending round, announced in November 2020, committed additional funding to key public services including Education and Adult Social Care, and further funding to support Local Authorities in responding to the prolonged COVID-19 pandemic. It also enabled councils to remain in the 100% business rates retention pilot for a further year and generate additional funding from local taxation via social care precept.

3.3. The Council's proposed budget should be seen in the context of the Corporate Strategy and Medium-Term Financial Plan (MTFP), it represents a further step on the journey to financial recovery and long-term sustainability. It establishes a resilient financial base to meet future challenges that could result from the uncertain financial, social, economic and environmental conditions.

3.4. COVID-19 has presented unprecedented financial challenges. It is not a single, 'in year' funding issue, but will continue to affect the Council beyond the next financial year. However, in managing our finances we are treating the medium-term impact of COVID-19 as a one off financial impact that we aimed to address through a financial response package of Council resources and further government support.

3.5. The financial impact on 2021/22 and future years can only be estimated, and officers will continue to update estimates and aim to mitigate any financial impacts.

3.6. The Council's strategy in funding core activity from base and one off funding for one off initiatives and not ongoing commitments has, placed it in a very strong position to address the COVID and one off pressures and produce a 'steady state' budget for the medium term 2021/22 - 2025/26 and also avoids the worst effects of sudden and unplanned decisions on service delivery and the most vulnerable members of the community.

3.7. The proposed General Fund revenue budget for 2021/22 totals £424.1 million, a net increase of £46.4 million from 2020/21 Baseline budget (£377.7 million, part of the total £397.7 million which includes an £18 million of one-off revenue investment). This £46.4 million increase includes £11.1 million investment in recurrent base budget as well as an £35.3 million one-off funding for COVID and one-off impact in 2021/21.

3.8. During the review assessment and evaluation of the budget assumptions and pipeline legacy savings agreed in 2017/18 and 2018/19 it became clear that some of the previously approved savings could no longer be delivered under the current economic and operating conditions. Therefore, mitigations have been explored and identified, which led to the alternative delivery plans and funding sources being identified for previously approved

savings marked at risk. A net impact of £1.4 million (including a savings contingency) has been included under the £11.1 million baseline investment explained above.

3.9. To finance the general fund base budget, it is proposed that the Council Tax for 2021/22 is increased by 4.99%. This includes the general increase of 1.99% and the Adult Social Care Precept of 3% which is earmarked for Adult Social Care, the overall increase will enable a balance position to be achieved for 2021/22.

3.10. Regarding ring-fenced funds, the government had announced the intention to maintain Public Health ring-fenced grant at the same level in 2021/22 compared to 2020/21. This entails no inflationary or other uplifts; however further funding clarity is urgently needed. If funding remains unchanged the indicative 2021/22 budget for Public Health would be £33.1million. Dedicated Schools Grant (DSG) is £404.7 million (an increase of £46.4 million from 2020/21) and Housing Revenue Account (HRA) is £122.1 million (an increase of £0.7 million from 2020/21).

3.11. In addition to the above, the Council continues to progress the delivery of an ambitious rolling capital programme over the period from 2021/22 to 2025/26, which has a gross value of £890.1 million (including the HRA) and is fully funded through the use of external funding, capital receipts and prudential borrowing.

4. COUNCIL STRATEGY & FINANCIAL PLANNING

4.1. The One City Plan sets out an ambitious vision and actions for the future of Bristol to 2050. It is a collaborative approach to reach a shared vision for Bristol and aims to use the collective power of Bristol's key organisations to make a bigger impact, by supporting partners, organisations and citizens to help solve key challenges, such as driving economic growth for everyone.

4.2. The Council's Corporate Strategy remains the main strategic document and sets out our contribution to the city as part of the One City Plan. The approved Corporate Strategy 2018 - 2023 set out the vision for Bristol and the priorities to be delivered prior to the COVID-19 pandemic: It outlines our vision and values and informs everything we do, how we plan for the future and how we will demonstrate progress in delivering those priorities.

4.3. In achieving the vision for the city, we have based our activities around four themes:

- Empowering and Caring
- Fair and Inclusive
- Well Connected
- Wellbeing

4.4. Our key commitments aligned to each theme are outlined in the Corporate Strategy and the full document can be accessed via the link below. In light of the ongoing pandemic and its longer-term impact, the Corporate Strategy will need to be revised to respond to the changing external environment and the needs of our workforce, residents and businesses.

<https://www.bristol.gov.uk/policies-plans-strategies/corporate-strategy>

4.5. The Policy and Budget Framework provides the structure and process for budget decision making and the MTFP is a key financial planning document, covering a rolling five-year period refreshed annually. It sets out the Council's strategic approach to the management of its finances and provides a financial framework within which delivery of the Council's priorities can be progressed.

4.6. The MTFP approved by Full Council on 10 November 2020 outlined in broad terms, the economic outlook, the specific service and funding issues over the period and how the Council will, within its financial constraints, fund its priorities and ensure financial sustainability and resilience can be achieved during and after the pandemic.

4.7. The economic uncertainty and ongoing response to the COVID-19 pandemic and Brexit had led to the Government only providing a single year financial settlement for local authorities and retaining commitment to return to multi-year spending review when appropriate. It is also unknown when the planned series of reforms of local Government funding will now take place such as reforms to business rates retention (100% to 75%) and fair funding review aimed at designing a new system for allocating funding between councils via a renewed methodology. These reforms will set new funding baselines for every authority this presents a significant risk to future funding.

4.8. Following the same MTFP principles adopted for budget setting last year, we continue to follow the approach of de-risking the financial plan to ensure that government one-off funding for pandemic response or otherwise are removed from the base budget and that are treated separately offsetting one-off cost pressures. The Base budget should only reflect those on-going core service activities that are aligned to on-going, recurrent and sustainable funding sources. These include the agreed targeted funding to support areas of need, the achievement of budget reductions, efficiencies and savings proposals, and setting council tax at levels assumed each year which enables a balanced position to be achieved over the planning period.

4.9. The budget has been prepared and given full consideration to these strategic documents, ensuring that each year's budget is set within the context of the Council's ongoing sustainability over the whole planning period. This has been done using best estimates from available data and based on the announced information under Local Government Finance Settlement for 2021/22.

4.10. Throughout the process of setting the budget, the Council has been very mindful of the impact of changes or reductions on residents that the Equalities Impact Assessments (EQIAs) relevance checks are included in this and other associated reports. Decision makers will need to take these into account when considering these budget proposals.

4.11. Please note that the Council's Ethical Investment Policy and Strategy is due for revision during 2021/22, which will be expended to incorporate Equitable Policy for Investment in addressing racial and other economic inequalities in the city.

5. CURRENT REVENUE BUDGET POSITION FOR 2020/21

5.1. This report is concerned mainly with the budget estimates for 2021/22 however, it is important to consider the current year financial performance and therefore the starting point for formulating these budgets is the latest 2020/21 (P8) forecast outturn.

5.2. During the year we have been reporting on the financial position for both the impact of the pandemic and the underlying base financial position of the Council.

5.3. The current full year forecast position, based on actual expenditure at the end of November 2020 for reason not directly attributed COVID, reports a £6.3 million (1.6%) overspend against the approved general fund budget. This is predominately attributed to Adult Social Care, increase in service demand and market costs pressures, and Home to School Transport services for children with high needs.

5.4. For the same period, COVID related budget pressure for 2021/22 is forecast to be £81m, largely funded by government grant.

5.5. For ring-fenced accounts, in-year forecast reports a £3.2 million underspend for HRA (2.6%), £11.4 million overspend for DSG (3.0%) and a balanced position on Public Health grant.

5.6. It is expected that mitigations will continue to be explored across services within the directorates to contained cost pressure within the delegated cash limits. However, the scale, nature and timing of the emergent pressures within Adult Social Care and lack of opportunities for mitigation across the People directorate means that it is unlikely these pressures can be contained before year-end therefore a supplementary estimate may be required at year-end funded by general reserves.

5.7. The planning assumptions in the budget therefore include an estimated £6m drawn down from the Adult Social Care earmarked reserve and general reserve if required in 2020/21. This attributes to the current pressures evident within Adult Social Care and Home to School Transport. Approval has been sought under this report to allow for an temporary draw-down from general reserves in 2020/21 up to £3.9 million, which would potentially reduce General reserve below policy compliant level on a short-term basis, followed by a reinstatement in April 2021/22 funded by one-off government grant.

| Approved Budget | General Fund 2020/21 | Revised Budget | Forecast Outturn | Forecast Variance | COVID Variance | Non-COVID Variance |
|-----------------|----------------------------|----------------|------------------|-------------------|----------------|--------------------|
| £m | £m | £m | £m | £m | £m | £m |
| 222.727 | People | 225.660 | 276.972 | 51.312 | 43.931 | 7.381 |
| 51.044 | Resources | 50.734 | 59.185 | 8.451 | 8.583 | -0.132 |
| 59.210 | Growth and Regeneration | 64.451 | 91.890 | 27.439 | 26.681 | 0.758 |
| 62.727 | Corporate Expenditure | 54.862 | 54.945 | 0.083 | 1.833 | -1.750 |
| 395.708 | General Fund Budget | 395.708 | 482.992 | 87.285 | 81.028 | 6.257 |

5.8. Further details of the forecast year end position can be found in the Period 8

6. GENERAL FUND REVENUE BUDGET 2021/22

6.1. The General fund base budgets are by far the most significant element of the Council's budget, they are the mainstream budgets for services and are monitored monthly and reported to the Corporate Leadership Board, the Mayor and Cabinet. An incremental budgeting approach has been adopted. Whilst not the most efficient mechanism, it is an approach that can be easily understood publicly and applied consistently which enables the changes applied to year-on-year budgets to be transparent.

6.2. The Council's finances have been severely impacted by the pandemic, however most of the related increases in costs and changes in income are seen to be one-off or temporary and are separately reported under the budget to ensure that when the Council considers the longer term financial sustainability, it is not distorted by short-term loss of income or changes in costs.

6.3. The proposed General Fund revenue budget for 2021/22 totals £424.1 million, a net increase of £46.4 million from 2020/21 Baseline budget (£377.7 million, part of the total £397.7 million which includes an £18 million of one-off revenue investment). This £46.4 million increase includes £11.1 million investment in recurrent base budget as well as an £35.3 million one-off funding for COVID impact in 2021/21.

6.4. During budget setting it became clear that some of the previously approved savings can no longer be delivered under the current economic and operating condition, therefore mitigations had been identified, which led to the alternative delivery plans and funding sources being sought for previously approved savings marked at risk. A net impact of £1.4 million (including a savings contingency) has been included under the £11.1 million baseline investment explained above.

6.5. The table below provides a summary of the proposed General Fund Revenue budget for the 5-year MTFP period comparing to the approved 2020/21 budget.

| 20/21 | | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 |
|----------------|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| £m | | £m | £m | £m | £m | £m |
| 222.727 | People | 233.315 | 236.812 | 243.149 | 249.485 | 255.822 |
| 51.044 | Resources | 52.528 | 54.115 | 55.542 | 56.968 | 58.395 |
| 59.210 | Growth and Regeneration | 54.977 | 56.638 | 57.131 | 58.624 | 60.117 |
| 62.727 | Corporate Expenditure* | 83.290 | 51.434 | 52.358 | 55.136 | 55.914 |
| 395.707 | General Fund Budget | 424.110 | 398.999 | 408.180 | 420.214 | 430.248 |
| 226.055 | Council Tax | 236.197 | 240.920 | 247.587 | 254.403 | 261.372 |
| 136.711 | Business Rates (NNDR) | 133.621 | 129.449 | 133.374 | 137.620 | 140.686 |
| 6.387 | New Homes Bonus | 3.812 | 1.410 | 0.000 | 0.000 | 0.000 |
| 28.19 | Social Care Grant | 30.355 | 28.191 | 28.191 | 28.191 | 28.191 |
| 0 | COVID Grants | 25.161 | 2.914 | 2.914 | 0.000 | 0.000 |
| (1.636) | Collection Fund Surplus/(Deficit) | (5.037) | (3.886) | (3.886) | 0.000 | 0.000 |
| 395.707 | Funding | 424.110 | 398.999 | 408.180 | 420.214 | 430.248 |
| 0 | Budget Surplus/(Deficit) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

*Note: increase in corporate expenditure due to COVID indicative expenditure held in abeyance

6.6. The following specific changes and key assumptions have been made in the development of the 2021/22 budget.

- Council Tax increase of 4.99% (including 1.99% for general purposes and 3% Adult Social Care Precept)
- A decrease of £3.1 million in the amount of business rates income receivable
- A Pay rise for all employees earning above £24,000 median salary, and final pay award to all remaining is subject to agreement with trade unions.
- Centrally held general inflationary provision for supplies and services budgets, e.g. essential utilities such as gas, electricity and water, external insurance premiums and business rates payable by us.
- General inflationary increase of 2% on fees and charges.
- Specific inflationary increases in Private Finance Initiative (PFI) unitary charges based on contractual terms and conditions. Specific inflationary increases as set out in other (non-PFI) long-term contracts.
- Unallocated general reserve will be retained between 5%- 6% of the net revenue budget at each budget setting period.

6.7. It is important that the Council continues to plan and grow our local tax base which provides real additional resource that can assist with managing increases in service demand and changes in government funding.

6.8. Whilst council tax referendum threshold remains in place, for 2021/22 the threshold set by central government has increased to 5% for Bristol, which includes additional 3% precept for Adult Social Care. If council tax is set below this threshold, it would mean the permanent loss of council tax baseline yield with no opportunity to make up the losses in future years, without triggering a costly local referendum exercise.

6.9. During this period of continuous uncertainty, we are conscious of the impact of council tax increases on Bristol residents. Given the growth in demand for our services and the absence of any new permanent funding being made available by government, the Council is required to take action to ensure the sustainability of Social Care therefore proposes to take up the social care precept at 3%. This proposal seeks approval to increase 2021/22 council tax by 4.99% net off decrease in tax base (£10.1 million) split between:

- General Council Tax increase of 1.99% (i.e. £4.0 million)
- Social Care precept of 3.00% (i.e. £6.1 million)

6.10. In order to support residents that have difficulty with this increase, unlike many other councils, Bristol City Council continues to provide a fully funded local Council Tax reduction scheme (CTRS) that supports working age people on a similar basis to those who previously received 100% Council Tax benefit prior to this national scheme being abolished in 2013. Pensioners are also protected from any changes under the prescribed national scheme.

6.11. As outlined in the Council Tax Base report presented to Full Council on 8 December 2020, prior to the pandemic, Bristol had seen relatively low unemployment rate, and a decrease in the numbers of working age adults' claimants to the CTRS in recent years. However, since the pandemic, there has been a marked increase in the number of claimants of the working age CTRS which has increased the overall cost by £2.3 million in 2020/21. This is likely to continue into part of the 2021/22.

6.12. As part of the budget process each year, we look at unavoidable financial pressures on services that will have an on-going budgetary impact, some of which are outside of the control of the services and cannot be immediately mitigated by savings and efficiencies. Table below summaries the year on year baseline expenditure movement:

| General Fund Baseline Budget | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 |
|---|---------------|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m | £m |
| Corporate Assumptions | | | | | |
| Pay Award | 0.473 | 5.181 | 5.472 | 5.472 | 5.472 |
| Remove residual provision from 20/21 | (1.200) | | | | |
| In year Inflation provision | 3.441 | 5.114 | 3.784 | 3.784 | 3.784 |
| Capital Financing | (1.250) | | | | |
| Savings changes | | | | | |
| Pipeline Savings Previously Approved | (3.100) | (0.724) | | | |
| Pipeline Savings Removed | 2.148 | 0.453 | | | |
| Legacy Savings Proposed to be written off | 4.692 | | | | |
| New Savings Proposed | (4.300) | | | | |
| Savings Contingency | 1.960 | | | | |
| Previous Approved Pressures | | | | | |
| Coroners | 0.030 | | | | |
| Waste Contract Inflation & Pay-Mech Pressure | | | (1.000) | | |
| Safer City - Youth Violence | 0.030 | | | | |
| Land Charges- Legislative changes | 0.290 | | | | |
| Climate Change / Air Quality - Delivery Capacity | 0.150 | | | | |
| Service Investments | | | | | |
| Children Social Care increase in Remand | 0.310 | | | | |
| Children Special Guardianship revised support and financial package | 0.300 | | | | |
| Reprofile in-house Children carer package | 0.500 | | | | |
| Invest in Children Care Leaver EET SIB delivers improved outcomes | 0.067 | | | | |
| Adult Purchasing Costs Increases (Net of BCF 5.5% uplift £0.88m) | 3.550 | (3.550) | | | |
| Operational Property Unachievable Income (non-COVID) | 0.500 | | | | |
| Facilities Management cost pressures and overspend | 2.525 | | | | |
| Baseline Budget Movement | 11.116 | 6.474 | 8.256 | 9.256 | 9.256 |

6.13. Within the existing budget, there are other areas where adequate resources are not provided for meeting the level of anticipated demand within the service, loss of grant or reduction in income some of which due to short to medium term impact of the pandemic and gradual recovery. Therefore, within the total proposed budget (£424.1 million) above £35.3 million of one-off funding (mainly government support grants) had been incorporated to balance the 2021/22 financial pressures estimated arising from the on-going pandemic. In addition, an estimated £0.4 million draw-down from earmarked reserves (business rates reserve) had also been included to balance remaining one-off financial pressure, following the MTFP principles of matching one-off funding with one-off pressures and commitments. The table below summarises the one-off funding position:

| General Fund Baseline Budget One Off Funding | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | 5-year Total |
|---|---------------|----------------|----------------|----------------|--------------|---------------------|
| | £m | £m | £m | £m | £m | £m |
| Social Care Grant (£1bn SR 2019) | 8.210 | 8.210 | 8.210 | 8.210 | 8.210 | 41.050 |
| Social Care Grant (£200m SR 2020) | 2.165 | | | | | 2.165 |
| Subtotal Social Care | 10.375 | 8.210 | 8.210 | 8.210 | 8.210 | 43.215 |
| Collection Fund Grant | 2.914 | 2.914 | 2.914 | | | 8.743 |
| 20/21 Collection Fund losses | (5.037) | (3.886) | (3.886) | | | (12.809) |
| 100% Business Rates pilot growth | 2.490 | | | | | 2.490 |
| New Homes Bonus Legacy Payments | 3.485 | 1.410 | | | | 4.895 |
| Council Tax support grant - CTRS Working Age | 5.803 | | | | | 5.803 |
| Council Tax Reduction Scheme | (1.486) | (1.750) | (1.000) | (0.250) | | (4.486) |
| Fees and Charges grant | 1.300 | | | | | 1.300 |
| COVID Response grant | 14.371 | | | | | 14.371 |
| New Homes Bonus 21/22 One-off | 0.327 | | | | | 0.327 |
| Lower Tier Authority services grant | 0.773 | | | | | 0.773 |
| Subtotal COVID | 24.939 | (1.311) | (1.971) | (0.250) | 0.000 | 21.407 |
| | | | | | | 0.000 |
| Total One-off Funding | 35.314 | 6.899 | 6.239 | 7.960 | 8.210 | 64.622 |

Impact of COVID-19

6.14. The prolonged impact of the pandemic is expected to affect the Council's financial position over the medium term. Our planning assumption assumes the gradual recovery of the local economy over the MTFP period from both income and expenditure perspectives.

6.15. The government recognised these COVID related challenges, in response had announced further funding and support mechanism to Local Government under the 2021/22 financial settlement, which includes funding allocation to cover 2020/21 carried forward collection fund deficit spread over 3 years, further allocations of Local Council Tax Support grant, partial continuation of COVID emergency response funding and a 3 month extension of the Fees and Charges Income Compensation Scheme. However, in most cases the funding only covers the financial impact equivalent to one quarter in 2020/21, which implies the assumption that local economy could recovery back to pre-pandemic levels by summer 2021, that is contrary to the ONS's economic forecast.

6.16. At the time of writing this report, further clarity and details are yet to be provided by the government regarding funding allocation methodologies for 2020/21 Council Tax Support Grant and Fees and Charges Income Compensation Scheme following Local government consultation, as a result the expected funding levels included in the table above are based on the provisional settlement details.

6.17. The table below illustrates the corresponding cost pressures that is proposed under this report to be funded from these one-off government funding streams:

| One off Budget Funding / (Cost) | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | 5-year Total |
|---|-----------------|----------------|----------------|----------------|----------------|---------------------|
| | £m | £m | £m | £m | £m | £m |
| Contribution to general fund reserve (Adult overspend 2020/21) | (3.900) | | | | | (3.900) |
| Adult purchasing pressures | (2.670) | | | | | (2.670) |
| ASC Innovation Fund | (0.800) | | | | | (0.800) |
| Growth in Children's placements (mid-case estimates £3.1m over three years) | (1.400) | | | | | (1.400) |
| Children Pause Project | (0.360) | | | | | (0.360) |
| Children Cabot Learning Federation pilot | (0.060) | | | | | (0.060) |
| Child Sexual Abuse Inquiry Resource Support | (0.085) | | | | | (0.085) |
| Troubled Families Reserve | (0.643) | | | | | (0.643) |
| Home to School Transport | (0.500) | | | | | (0.500) |
| Serious Violence (Children and Young people. Street violence) | (1.500) | | | | | (1.500) |
| General Fund Support for Special Education Needs & Disability (SEND) | (0.500) | (0.500) | | | | (1.000) |
| COVID Response and New burden (incl. Social Care) | | (3.875) | (3.000) | (3.000) | (3.000) | (12.875) |
| Social Care Grant held in abeyance | | (4.335) | (5.210) | (5.210) | (5.210) | (19.965) |
| Subtotal Social Care | (12.418) | (8.710) | (8.210) | (8.210) | (8.210) | (45.758) |
| Medium Term Business Rates Losses | | (3.170) | (1.585) | (0.528) | | (5.283) |
| Council Tax support grant / hardship expenditure | (2.498) | | | | | (2.498) |
| Fees and Charges Income losses | (7.047) | (2.350) | (1.853) | | | (11.251) |
| COVID Response Reserve Movements | (14.371) | 1.366 | 5.055 | 0.778 | | (7.172) |
| Subtotal COVID | (23.916) | (4.154) | 1.617 | 0.250 | 0.000 | (26.203) |
| Business Rates Volatility Reserve | 0.400 | 3.865 | 0.355 | | | 4.620 |
| Capital Financing | 2.320 | 3.000 | | | | 5.320 |
| Project Management Delivery Capacity | (0.400) | (0.400) | | | | (0.800) |
| Developing Property Strategy/ Asset Management Plan | (0.500) | (0.500) | | | | (1.000) |
| Operational Property Unachievable Income Target (Non-covid) | (0.500) | | | | | (0.500) |
| Temporary accommodation cost pressure (Costs in excess of subsidy) | (0.300) | | | | | (0.300) |
| Subtotal Other One-offs | 1.020 | 5.965 | 0.355 | 0.000 | 0.000 | 7.340 |
| Total One-off Costs | (35.314) | (6.899) | (6.238) | (7.960) | (8.210) | (64.621) |

People Directorate

Adults

6.18. Local authorities have a legal duty to commission care services for any adults who meet the requirement of the centrally set needs and means tests. Since 2017/18 Adult social care had seen significant increases in cost base year on year, to a forecast outturn of

£183.4 million in 2020/21 despite any efficiencies they might have made. In 2020/21 £27.9 million of spend was estimated due to COVID and a further £7.2 million of overspend was reported not directly resulted from COVID.

6.19. There are various drivers resulting in financial pressures such as:

- In regards to COVID emergency response, the Council has acted as system leads in responding to the crisis working directly alongside the NHS and providers to create capacity and deal with increased demand meanwhile sustaining the market to ensure the local care market has sufficient capacity and of sufficient quality to meet the needs of the population and the Council direct financial support. No specific funding has been allocated to support the sector in 2021/22.
- The Council also increased the Council's frontline Staff Cover for short term targeted support for up to two weeks after discharge and to provide a short-term up-front response and additional capacity costs for Mental Health services. The Council had also spent resources on providing PPE to staff and suppliers.
- In addition, the planned efficiency savings had not been able to be progressed as anticipated and the entire savings programme suffers from further delays.
- There is also inherent issues in the lack of capacity in the market for delivering services which has been exacerbated by COVID.

6.20. Whilst adult social care is delivered and mainly funded locally, decisions by central government strongly shape the local position. This makes adult social care a national as well as a local responsibility. These increasing costs are threatening to overwhelm the Council's ability to manage its finances and it is not clear whether public funding for adult social care will increase in the long run.

6.21. The Local Government – Spending Review 2020 announced an additional £300m one off social care grant (distribution options still subject to consultation). There is also confirmation that the £1bn social care grant in 2020/21 will be rolled forward for one more year (£2.2m for the Council). Existing social care funding such as BCF will continue, with BCF rising in line with NHS settlement of 5.5% but no uplift on iBCF.

6.22. Despite these emergency measures and funding, the government remains silent on previous commitments to “ensure that adult social care funding is such that it does not impose any additional pressures on the NHS over the coming five years” under the NHS long-term plan, there is currently no clear timetable for social care reform and the recent spending round only confirmed grants for social care in 2021/22.

6.23. Whilst we recognise the need for wider change at a national level to make the social care system fair and sustainable in the future, tackling our immediate social care challenges will require decisive action and appropriate funding to help enable the transition to an approach based on a higher level of early intervention and prevention.

Children's Social Care

6.24. The Children's Social Care service has experienced escalating levels of serious youth

violence and extra-familial risk, including gang affiliation, criminal exploitation and abuse. This alongside a growing child population and improved intelligence and awareness of serious violence and complex safeguarding demands, has presented challenges to the directorate in achieving a balanced budget. These challenges are further exacerbated by the pandemic during which significant placement cost increase has been reported.

6.25. Considering the increases in demand and market pressures, further baseline and one-off funding had been allocated in 2021/22 to address these escalating pressures, and it has become clear that the pipeline savings for the Strengthening Family programme is no longer deliverable as previously planned, therefore provision has been made under this report to write-off these further year savings (details see savings section).

Education

6.26. The Education service is reporting an in-year pressure of £0.4 million (£0.2 million reduction compare to the previous year) relating to Home to School Transport for children who have special education needs which is likely to result in a supplementary estimate at year-end. Some small cost reductions have also been achieved following the adoption of a new route planning systems, and that some routes were not needed when pupils are self-isolating during the pandemic.

6.27. Following an Ofsted review in 2019, the Education service has developed an action plan and invested significant resources in the Health and Care Plan (EHCP) assessment and planning process in order to address some of the concerns reported, which includes improvement of the Education, statutory processes and implement new diagnostic pathway for Autism Spectrum Disorder (ASD) assessment to impact on assessment times and offer clarity to parents and carers. The result of these improvements had led to a significant increase in SEND needs with in the DSG and Schools' budget.

Growth and Regeneration

6.28. The Growth and Regeneration (G&R) directorate has several key priorities which this budget is designed to support. They are as follows:

- Sustainable and inclusive economic growth
- Housing and regeneration
- Preventing homelessness
- Ensuring that air quality standards are met across the city

6.29. During the pandemic, due to the social distancing measures introduced by the government and the general economic condition, G&R had seen significant losses on both service income and commercial income. The recovery of these income streams is likely to take some time. Most COVID income losses and additional expenditure were covered by government grant in 2020/21, 2021/22 remains a significant challenge where government funding significantly reduced.

6.30. In addition to the above, several growth-based savings pipeline schemes are no longer achievable, and some services such as waste management have experienced significant increases in volume and suffered from the volatility in the market e.g. (recycling income).

6.31. Last but not least, the capital programme had suffered from significant delays and

cost escalation. These are outlined in more detail the Capital Programme section.

Resources

6.32. The Directorate contains the Council's key residence facing services (such as mortuaries and communication) as well as professional support services which support the strategic direction of the Council and provide essential support to Members and managers to improve outcomes and deliver change. The Directorate, beyond its core, statutory and regulatory duties, also serves some of the most vulnerable in the city.

6.33. During 2020/21 the Directorate has led key COVID emergency response activities for the city including the distribution of central government and local grant to businesses and residences in need. It also increased and redirected capacities in dealing with the direct impact of the pandemic such as mortuaries planning and citywide communications.

6.34. Similar to other directorates, Resources had also experienced difficulties in savings delivery during the pandemic and will be impacted by the lasting effect of COVID. Most significantly the Facility management services, and savings had been identified no longer deliverable please see details under the savings section.

Corporate Expenditure Accounts

6.35. Central accounts hold a variety of corporate budgets which do not relate directly to individual services, as well as council-wide budgets which largely for timing reasons are not allocated to individual services. Generally, these council-wide budgets will be allocated to services in year, once their impact is known. Corporate budgets include the Council's capital financing costs and associated entries relating to the complexities of the capital accounting requirements. In addition, in accordance with accounting requirements, central accounts include those costs which are defined as the Corporate and Democratic Core and Levies.

| | 2021/22 |
|---|----------------|
| | £m |
| Capital Financing | 22.495 |
| Corporate and Democratic Core and Levies | 10.118 |
| One off funding held prior to transfer | 39.654 |
| Other including Contract Inflation and pay awards | 11.023 |
| Total | 83.290 |

Savings

6.36. Following a detailed review and risk assessment exercise during budget setting, it became clear that some of the previously approved legacy and pipeline savings in the recurrent base budget can no longer be delivered under the current economic and operating condition, led to the alternative delivery plans and funding sources being identified. Please see the table below for more detail:

Savings Removed

| Ref | Directorate | Description | Legacy £m | 21/22 £m | 22/23 £m |
|------------------------------|-------------------|---|--------------|--------------|--------------|
| FP31 | People | Strengthening Families | 1.742 | 1.828 | 0.453 |
| FP33 | People | Better Lives | 2.950 | | |
| IN04 | Growth & Regen | City Centre Business Rate Development Team | | 0.240 | |
| IN29 | Growth & Regen | Development Management | | 0.080 | |
| Total Savings Removed | | | 4.692 | 2.148 | 0.453 |

New Savings

| Ref | Directorate | Description | Legacy £m | 21/22 £m | 22/23 £m |
|--------------------------|-------------------|---|--------------|--------------|--------------|
| New | People | Monitoring and grip debt recovery and DPs | 2.000 | | |
| New | Growth & Regen | Parking charges review | 0.800 | | |
| New | Thematic | Common activities | 0.500 | | |
| New | Thematic | 3rd party saving | 0.500 | | |
| New | Thematic | Corporate Landlord Delivery Model | 0.500 | | |
| Total New Savings | | | 4.300 | 0.000 | 0.000 |

Long Term Investments / Shareholdings

6.37. The Council has a range of long-term investments and shareholdings some of which are wholly owned or to which it has a material interest. A set of business plans for these entities will be presented to Cabinet on 25 February 2021 and 9 March 2021.

6.38. In relation to the wholly owned companies, these are complex businesses and when entering into any long-term investments such as these it is important to assess the market conditions and to acknowledge that the industries are ever-changing, as such will always be subject to external influences, volatilities and risks. The financial performance of these companies and their assets and liabilities need to be regularly reviewed to ensure that there is not a financial implication for the Council in future years.

6.39. Annual business plans have been refreshed / developed and the submission is made to this Cabinet for consideration. The plans need to be agile and refreshed to reflect the changing market conditions and operating models required for sustainability. The business and commercial strategy needs to ensure that wider market condition had been assessed and business opportunities are explored in a timely manner in order to secure and generate additional income from customers. It is anticipated that from this investment the Council will benefit socially, economically, environmentally and financially. Following the pay-back period, any surplus can be used as appropriate to support the Council's revenue budget position or deliver key priorities.

6.40. The Council continue to assess the effectiveness of the Governance, monitoring and quality performance parameters and regularly reported to the Shareholder Group and members for informed decision making. It has been recommended that companies risk

assessment and reporting process needs to align with the Council' own process, where risk and issues are periodically reported, mitigations identified, financial risks qualified, and risk provision set aside accordingly. To ensure the Council's investment is protected, commercial information that could impact on an individual company value will be managed sensitively, considering the sensitivity of the information being requested at the time of the request whether due to the nature, any harm that would be caused prior to disclosure. However, as a public authority the Council should remain open and transparent as far as possible.

7. COLLECTION FUND SURPLUS / DEFICIT

7.1. Bristol City Council is required by statute, to maintain a Collection Fund separate from the General Fund of the Council. Income from council tax and business rates are fixed at the start of each financial year. Any variations from this are realised through the Collection Fund and are distributed in subsequent years. Following changes to council tax discounts and exemptions and localisation of business rates, there is now significantly greater volatility and risk in relation to collection fund income.

7.2. As previously reported to the Council on 8 December 2020, overall, there is an estimated deficit on the Collection Fund for the year ending 31 March 2020 of £14.143 million of which the Council's share is £12.809 million.

| | 21/22 | 22/23 | 23/24 | Total |
|-------------------------------------|--------------|--------------|--------------|---------------|
| | £m | £m | £m | £m |
| Council Tax Deficit | 2.549 | 1.103 | 1.103 | 4.754 |
| Business Rates Deficit | 2.488 | 2.783 | 2.783 | 8.055 |
| Total Collection Fund Losses | 5.037 | 3.886 | 3.886 | 12.809 |
| Local tax income guarantee grant | (2.914) | (2.914) | (2.914) | (8.743) |
| Net Collection Fund Losses | 2.122 | 0.972 | 0.972 | 4.066 |

7.3. As directed by Government the Council are required to spread any deficits from 2020/21 over three years which is reflected in the figures above and the medium-term outlook as set out in section 6.

7.4. For irrecoverable losses from the 2020/21 Collection Fund the Government have announced a support grant to fund 75% of irrecoverable losses council tax and business rates income. An estimate of £8.743 million has been included over the period 2021/22 – 2023/24.

7.5. For Council Tax this includes losses due to increases in Council Tax Reduction scheme and delays in growth but does not cover reduction in collection rates. Business Rates irrecoverable losses include losses due to reduced collection as well as estimated changes in rateable value of properties due to the pandemic.

8. COUNCIL TAX 2021/22

8.1. The referendum threshold for increasing the council tax has increased to 5% which includes 3.00% Social Care Precept and core council tax increase of 1.99%. The precept will need to be identified separately and the s151 Officer will be expected to notify the Secretary of State of the amount intended to be raised and verify that the funding has been used for adult social care.

Calculation of the Council's Tax Base

8.2. On 8 December 2020 Full Council approved the tax base for the year 2021/22 as 127,950. This represents a decrease of 0.5% on the previous year's tax base (128,566).

Council Tax by Band

8.3. It is recommended that the following amounts be submitted for agreement by Full Council for the year 2021/22:

- £236,197,106 being the sum to be met from Council tax in 2021/22 for services provision (£226,055,751 in 2020/21)

Bristol City Council's share of the council tax for the year 2021/22 for the services it provides for each category of dwelling shown as follows:

| | Band A | Band B | Band C | Band D | Band E | Band F | Band G | Band H |
|---------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| 2021/22 Council Tax | 1,230.68 | 1,435.79 | 1,640.90 | 1,846.02 | 2,256.24 | 2,666.47 | 3,076.70 | 3,692.04 |
| 2020/21 Council Tax | 1,172.20 | 1,367.56 | 1,562.92 | 1,758.28 | 2,149.02 | 2,539.74 | 2,930.48 | 3,516.57 |
| Percentage Increase | 4.99% | 4.99% | 4.99% | 4.99% | 4.99% | 4.99% | 4.99% | 4.99% |
| Annual Increase | 58.48 | 68.23 | 77.99 | 87.74 | 107.22 | 126.73 | 146.22 | 175.47 |

9. DEDICATED SCHOOLS GRANT

9.1. A summary of the planned use and distribution of the Dedicated Schools Grant is incorporated within this report and the full report and associated appendices can be accessed: <https://democracy.bristol.gov.uk/mgAi.aspx?ID=23217#mgDocuments>

9.2. The Dedicated Schools Grant (DSG) is calculated based on the following 4 funding blocks: Schools Block, High Needs Block, Central Services Block and Early Years. The overall headline increase in the 2021/22 DSG, considering the 2020/21 funding for teachers pay and pensions (of £14.280m), is £15.940m (4.1%) giving a total DSG of £404.729m.

9.3. The table below provides a high-level description for each block and shows the annual changes in funding.

| DSG blocks | Purpose | 2020/21 DSG (adjusted for teachers pay and pension grants) | 2021/22 DSG Settlement | Increase | Increase |
|-------------------------------|---|---|------------------------------|--------------|---------------|
| | | £m | £m | % | £m |
| Schools Block | For distribution through the formula for mainstream schools and academies, and for growth in schools | 287.008 | 297.264 | 3.57% | 10.256 |
| Central School Services Block | For Local Authority core functions, admissions and historic commitments | 2.827 | 2.774 | -1.91% | -0.054 |
| High Needs Block | Funding for pupils with special educational needs in mainstream, special ad out-borough schools, for pupils in alternative provision and local authority or commissioned services for high needs pupils | 61.834 | 67.506 | 9.17% | 5.672 |
| Early Years Block | Funding for distribution to Early Years settings for 2, 3 and 4-year-old early years provision, with some provision for central oversight and co-ordination | 37.119 | 37.185 | 0.18% | 0.066 |
| Total Funding Received | | 388.788 | 404.729 | 4.10% | 15.940 |

Schools Block

9.4. The DSG advised by the Education and Skills Funding Agency takes into account the increase in minimum funding per pupil and the National Funding Formula (NFF). The funding is primarily generated by pupil numbers from the October census. The October 2020 census had 35,867 primary pupils, a decrease of 283 (0.78%) from October 2019, with secondary pupil numbers increasing by 757 (3.95%) to 19,938. Funding per pupil has also increased (by 7.95% for primary and 7.57% for secondary) and included in this increase is funding for teachers pay and pensions increases that was previously made via grant funding.

9.5. The Minimum Funding Guarantee was set at +0.5% for 2021/22 (in line with prior year) and £2.0 million was top sliced for the 2021/22 Growth Fund. Schools Forum endorsed the transfer £1.4million (0.5%) from the Schools Block to the High Needs Block to be earmarked to support the Education Transformation programme. Please note that this is the maximum threshold, and any amount beyond 0.5% would require Secretary of State Approval.

9.6. Within the average overall increase, individual schools will receive more or less depending on the impact of the changes in the formula and pupil numbers to their allocations.

High Needs Block

9.7. The key financial pressure within the DSG is in the High Needs block. The DSG overall started the year with a brought forward deficit of £2.892 million and is experiencing significant in-year pressures as the Council delivers SEND improvement activities, responds to the Written Statement of Action and supports children and young people with increasing need and complexity of support. The current in year forecast is of an £8.556 million overspend which results in a cumulative forecast deficit of £11.4 million for 2020/21. Under DSG regulations this will need to be “made good” in future years from the DSG allocations.

9.8. As recognition of the national issues in the Higher Needs block, the Spending Round has allocated more funding to support Higher Needs pressures. For 2021/22 the estimated increase in funding is £5.7 million (9.2%) including Teachers Pay and Pensions Grant. Although clearly welcome this funding broadly mirrors the prior years estimated costs leaving no growth or additional funding to address the deficit.

9.9. No clarity has been provided by the DfE how, when and if, this will be funded in the longer term. Whilst the Council “carries” this deficit by means of a negative reserve it is a significant risk to both the Council and to Schools.

9.10. Meanwhile a high needs transformation programme has begun, with four constituent projects: top-up funding; alternative provision; hospital education; and support services. These are focussed on how best to improve outcomes for children and young people, but may result in lower spend over time, if investment is made in activities most likely to promote such outcomes. To continue the funding for this programme, transfers between blocks are again proposed and these have been endorsed by Schools Forum,

Early Years Block

9.11. The allocation for Early Years is still indicative at this stage as the majority of the funding in this block is based on census data in January 2021 and January 2022, so the actual amount will be updated by ESFA once these census figures are known. Recent guidance on the census collection for January 2021 in the light of COVID restrictions has caused concern as the DfE will not allow settings to count places where closure or place restrictions due to the pandemic have reduced numbers. This could result in much lower census figures and reduced funding.

9.12. The funding allocation for the early year section is as below:

- The funding for 3 & 4 year olds remains unchanged at a rate £5.69 and as result the base rate to providers will see no increase from 2020/21 and remain at £4.88. This is an effect of real term’s cut for the sector which has experienced minimal support through the pandemic.

- For 2 year olds, the rate has increased by £0.08 to £5.59, this increase will be passed on in full to providers (increase from £5.48 to £5.56). In line with prior year, £0.03 will be retained for central administration.
- The Maintained Nursery School supplementary funding has remained at the same level (£0.716 million) as 2020/21

9.13. The Council will continue to support Nursery Schools in lobbying government to obtain a fair settlement for Early Years providers.

Central Services Block

9.14. The Central Services Block contains ongoing & historic responsibilities and ESFA propose to withdraw historic element over time. This has reduced by 20% (£0.186m) and within that the £0.147 million for Prudential Borrowing is proposed as a further transfer to the High Needs Budget. Please note that with the scale of these annual reductions by 2022/23 no spare funding will be available for transfer into the High Needs Budget.

9.15. The table below outlines the revised allocations following the proposed movement between the blocks.

| DSG Blocks | 2021/22 DSG settlement | Movement between blocks | Final DSG budget 2021/22 |
|------------------------|------------------------|-------------------------|--------------------------|
| | £m | £m | £r |
| Schools block | 297.264 | (1.400) | 295.86 |
| Central Services Block | 2.774 | (0.147) | 2.62 |
| High Needs Block | 67.506 | 1.547 | 69.05 |
| Early Years | 37.185 | - | 37.18 |
| Total | 404.729 | 0.000 | 404.72 |

9.16. Work is underway to complete the DSG Deficit Management Plan. This is a comprehensive tool that has been produced by the Department for Education to enable LAs to:

- Monitor how DSG funding is being spent.
- Compare data on high needs spend between LA's
- Form evidence-based and strategic future plans for the provision of services for children and young people with SEND.

9.17. Completion of the plan is being project managed and is due to be presented to Schools Forum on 30 March 2021. The completed plan will be kept up to date and used routinely for planning thereafter.

9.18. Schools Forum considered the proposals on the use and distribution of the available funding at its meeting on 14 January 2021, endorsed the approach and feedback final comments were presented at the Cabinet meeting by the Cabinet Member for Education.

10. PUBLIC HEALTH GRANT

10.1. The annual Public Health grant is currently provided to the local authority by the Department of Health and Social care. The grant meets the cost of Public Health services and functions which transferred to the local authority under the terms of the 2012 Health and Social Care Act.

10.2. The allocations for 2021/22 are yet to be announced but the spending review 2020 indicated the grant will be maintained, indicating no increase from the 2020/21 grant of £33.1 million. This if accurate could effectively means a real-terms cut to this budget as it needs to meet additional obligations such as the cost of pay uplifts for all nursing staff in commissioning services.

10.3. Once the grant allocation is confirmed a report will be taken to Cabinet to approve the specific budget plans for 2021/22. Delegation is sought from Full Council to approve the detailed spending plans

10.4. The future of Public Health funding is uncertain and will be subject to the government's delayed fair funding review and may include moving from a grant to a baseline formula with attached conditions.

11. HOUSING REVENUE ACCOUNT

11.1. Housing Revenue Account (HRA) is a ring-fenced self-financing account, where the Council retains all rental income but must finance all capital and revenue costs associated with its existing and new housing stock. The Council has a duty to agree a balanced HRA budget for the next financial year, as well as a sustainable long-term business plan, which takes account of capital investment needs of its stock and the revenue costs of managing and maintaining it. Although the account is ring-fenced, which means there can be no cross-subsidy between the revenue cost of services provided through the General Fund and the HRA, there are many services provided to both and paid for through recharges.

11.2. Although the Rent Policy and Rent Standard allows Local Authorities to increase rents by up to CPI plus 1% for 2021/22, considering the current economic conditions, the impact of pandemic and the hardship suffered by people in need, it is proposed that the Council will freeze rents for existing tenants for the coming year, effective from April 2021. Therefore, to maintain the existing level of service this will require an accelerated use of HRA reserve and an increase in borrowing requirement from 2024/25 onwards.

| | 2020/21 Budget £'m | 2021/22 Proposed Budget £'m | Movement £'m |
|---|--------------------------|--------------------------------------|-----------------|
| Gross Rent | (113.276) | (113.495) | (0.219) |
| Dwelling Voids | 1.200 | 1.200 | 0.000 |
| Net Service Charges | (8.488) | (8.928) | (0.440) |
| Other Revenue Income | (0.881) | (0.881) | 0.000 |
| Total Funding | (121.445) | (122.103) | (0.659) |
| Repairs & Maintenance | 32.513 | 33.854 | 1.341 |
| Supervision & Management | 31.223 | 31.780 | 0.557 |
| Special Services | 9.719 | 9.771 | 0.052 |
| Rents, rates, taxes and other charges | 1.189 | 1.181 | (0.008) |
| Depreciation, Revenue Funded Capital, Interest Payable and Bad Debt Provision | 46.801 | 45.518 | (1.283) |
| Net Spend | 121.445 | 122.103 | 0.659 |

HRA Capital Programme

11.3. The 5-year capital programme includes: Housing Investment Programme to maintain and improve existing stock; a baseline development programme; and a small amount for HRA IT infrastructure.

| 20/21 £m | | 21/22 £m | 22/23 £m | 23/24 £m | 24/25 £m | 25/26 £m | Total £m |
|-----------------|---------------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|
| 7.122 | Planned Programme - Major Projects | 30.438 | 33.710 | 29.889 | 23.059 | 19.033 | 136.130 |
| 27.233 | New Build and Land Enabling | 64.765 | 25.792 | 8.501 | 4.638 | 0.040 | 103.736 |
| 15.292 | Building Maintenance and Improvements | 14.886 | 16.595 | 16.090 | 16.205 | 16.145 | 79.920 |
| 0.524 | HRA Infrastructure | 0.500 | 0.500 | 0.500 | 0.500 | 0.500 | 2.500 |
| 50.171 | | 110.589 | 76.597 | 54.980 | 44.402 | 35.718 | 322.286 |
| | Financed by: | | | | | | |
| (22.452) | HRA Self-Financing (MRR) | (40.382) | (30.033) | (30.633) | (31.246) | (31.871) | (164.165) |
| 0 | Prudential Borrowing | 0 | 0 | 0 | (7.447) | (3.847) | (11.294) |
| (27.195) | Capital Receipts | (58.775) | (10.614) | (3.102) | (1.686) | 0 | (74.177) |
| (0.524) | Revenue and Reserves | (11.432) | (35.950) | (21.244) | (4.023) | 0 | (72.649) |
| (50.171) | | (110.589) | (76.597) | (54.980) | (44.402) | (35.718) | (322.286) |

11.4. The development programme aims to deliver 571 new homes of which approximately 70% will be social rented properties and 30% affordable homes. Of these, 182 new homes are proposed for completion in 2021/22,

11.5. The 2021/22 capital programme will be financed by a combination of contributions from Major Repairs and revenue reserves, capital receipts unapplied, external income (Homes England grant, income from sale of shared ownership and pooled Right to Buy receipts).

11.6. It is planned to utilise HRA reserves over the five-year programme until the minimum level is reached at around c£21 million (forecast to be in 2024/25) at which point further borrowing of £11.3 million will be required.

11.7. Additional information regarding the HRA budget is available on the Council's website:

<https://democracy.bristol.gov.uk/ieListDocuments.aspx?CId=135&MId=8724&Ver=4>

12. WEST OF ENGLAND COMBINED AUTHORITY (WECA)

12.1. The West of England Combined Authority (WECA) was formed in 2017 by Bath and North East Somerset, Bristol and South Gloucestershire councils. Working with our constituent councils and partners including the West of England Local Enterprise Partnership and local service providers, we aim to deliver inclusive economic growth for the region and address some of the challenges we face together. The West of England is an economic leader and will be key to the UK's recovery from the impact of Covid-19.

12.2. Since its formation, in total, £1.2billion of funding (new and redirected) has been provided for our region as follows:

- £900m as part of the initial devolution deal
- £103m for major transport schemes
- £3.7m emergency active travel funding (cycling and walking)
- £32m for MetroWest
- £24m for a Future Transport Zone
- £13.7m to accelerate infrastructure development work
- £5m to trial superfast 5G networks
- £4m for the Future Bright skills programme
- £75m from our business rates retention*
- £3m to progress housing development and attract additional funding
- £5.7m to improve roads
- Circa. £15m per annum (redirected) to invest in adult education
- £4m to help SMEs plan and support their current and future workforce
- £2.2m to help people with learning disabilities gain job opportunities
- £2.8m for a new Energy Hub and Low Carbon Fund
- £1.35m to support the region's creative sector
- £3m to run the Combined Authority

* 5% of business rates growth in the region is passported to WECA.

12.3. WECA is working with its constituent councils and other regional partners in supporting our region's residents and businesses through Covid-19, and is taking action to help people and businesses affected to get the support they need.

12.4. In addition to circa £18million discretionary business support funding deployed by the Council in 2020/21 and £10million recovery fund earmarked in the Councils 2021/22 Capital programme, WECA has committed £9.4million additional funding for regional recovery with a Recovery Plan, which builds on our region's Local Industrial Strategy, and aims to:

- Rebuild business
- Get residents back to work
- Strengthen inclusion
- Support a green recovery
- Renew places

12.5. The 2021/22 Budget for WECA was set on 29 January 2021 by the WECA Committee and the budget assumptions set out below are based upon the WECA Budget proposals.

Transport Authority Costs

12.6. The following elements of the WECA Budget and medium-term financial plan have therefore been incorporated within the Council Budget proposal and considered for future financial planning.

12.7. An annual revenue transport levy to reflect the cost of the core regional Integrated Transport services of:

- Concessionary Travel
- Real Time Information for bus services
- Community Transport
- Bus Service Information
- Supported Bus Services (whilst remaining a joint function with the constituent councils)
- TravelWest and
- Metrobus operations

12.8. The levy that the Council will pay for these services for 2021/22 is £10.3m. Unitary Authority levies are pooled by the WECA Transport Integration Team and managed on a regional basis. Projected surpluses or deficits are managed on a regional basis and a transport smoothing reserve has been created to help manage financial risk.

12.9. Due to the current Covid situation, in line with government guidance, WECA has maintained payments to bus operators in line with budgeted profile level which has helped to stabilise the provider base through extended periods of significantly reduced patronage. This arrangement is expected to roll forward into 2021/22.

100% Business Rates Retention

12.10. Within the Business Rates Collection Fund the Council continues to provide for a 5% share of business rates to be allocated to the WECA in accordance with the 100% Business Rate Retention pilot. The fund meets the costs of Highways Maintenance and Transport

Improvement Grants and revenue running costs. WECA will continue to passport £17.572 million of capital funding to the constituent authorities and the total allocation for the Council is £6.527 million broken down as follows:

| | £m |
|----------------------|--------------|
| Highways Maintenance | 3.132 |
| Highways Incentive | 0.652 |
| Integrated Transport | 2.743 |
| Total | 6.527 |

12.11. The sustainability of this funding will need to be reviewed as the government moves to a national 75% business rates retention system, which is still intended to be from April 2022.

Investment Programme

12.12. The published WECA investment programme will continue to support a number of projects and initiatives for our Unitary Authority throughout 2021/22 including:

- Bristol High Streets - Bedminster
- Temple Meads Masterplan
- South Bristol Enterprise Support
- Realising Talent [NEET]
- WE Work for Everyone
- Local CEIAG Action Research
- Reboot West
- High Street Regeneration (22/23 onwards)

12.13. These are funded from the additional investment funds received by WECA as part of the devolution arrangements and reflected accordingly within the councils' capital programme dependent on the stage of maturity and formal endorsement received from WECA.

12.14. Further bids for infrastructure funding may be made in line with the WECA Strategy and Local Growth Assurance Framework and may come forward for inclusion in the capital programme in line with future delivery arrangements.

12.15. Alongside specific projects, WECA will continue to support the Council in developing, and progress, key longer term strategic initiatives including mass transit options, strategic rail investment and spatial planning to enable clean and green sustainable growth.

Adult Education Budgets

12.16. Adult Education Budgets was formally devolved to the Combined Authority with effect from the 2019/20 academic year. The 2021/22 funding for Bristol based settings is £1.028m (subject to confirmed contract).

12.17. WECA is not permitted to raise a Council Tax to fund any of its activity and therefore no precept will be requested.

12.18. Full details of the WECA Budget proposals are available at www.westofengland-ca.gov.uk.

13. CAPITAL PROGRAMME

13.1. The Council plays a key role in investing in the infrastructure of the city and its communities; providing facilities for local people to use as well as stimulating investment to support growth in housing and business premises that provide jobs and opportunities. This role becomes even more essential considering recent pandemic and its effect on employment and the economy.

13.2. The Capital Programme includes £10 million for a COVID Recovery Fund to help support the economic recovery across Bristol following the impact of the current pandemic.

13.3. The Council's capital strategy which was approved in December is aligned to the financing principles set out in the MTFP, ensuring that the development of all prospective schemes is based on clear evidence base and whole-life costing with where appropriate, anticipated pay-back of the investment. The capital strategy is reviewed annually and particularly in line with the development of an asset management strategy, which will outline the approach to capital investment, ensuring that it is affordable, sustainable and prudent as well as aligned to the Council's corporate priorities. It will support the provision of the right blend of investment in key priority areas to do the following:

- Undertake mandatory duties keeping the public safe and maintain its investment,
- Invest for inclusive economic growth;
- Invest to save by reducing costs that would be borne by the revenue account or generating external income.

13.4. The Council has an ambitious capital programme over the next five years. A significant proportion of this programme is aligned to large infrastructure investments that will support long term regeneration across the city, such as programme of new housing building and developing the Temple Quarter area. This is balanced against areas which will support improvements in on-going Council services such as investing in infrastructure to support delivery of Social Care and Education services.

13.5. The Capital Programme as over the next five years is fully funded through the use of external funding, capital receipts and borrowing where appropriate. A number of the schemes are earmarked only with business cases pending approval. Should approval not be forthcoming, these funds may be redirected to ensure maximum available capital investment is targeted to works that begin to address the ambition to make Bristol a more equal, aspirational and resilient city, where everyone can share in its success. Further details on the refreshed rolling capital programme are contained in Appendix 2.

13.6. Capital and revenue expenditure cannot be considered in isolation of each other. The capital strategy set a principal to contain the annual revenue expenditure to finance capital investment at 10% of the annual net revenue budget.

13.7. High levels of capital investment means the Council will incur a higher level of fixed annual costs for the foreseeable future and impacts upon revenue resources available to fund day-to-day services. Any new proposals go through defined prioritisation criteria as set out in the strategy to ensure it remains within an affordable envelope. This has involved broadly ranking any new pressures as priority 1 or priority 2 and the outcome of that

exercise is reflected in the programme that is now recommended to the Council. Improved governance arrangements for the development and management of capital projects will be introduced to ensure greater assurance of delivery.

13.8. The Council has significant capital investment requirements in its HRA Housing stock, which includes regular planned maintenance and refurbishments to existing assets as well as programmes to deliver new housing stock.

13.9. The Council must ensure sufficient funding is available to meet the requirements of the agreed projects within its Treasury Management Strategy, which is reviewed annually and updated to reflect projects as they are refined or become ready for delivery. The draft Treasury Management Strategy is set out as Appendix 4 to this report.

13.10. The table below summarises our current capital spending plans for the next five years that total £890 million. The detailed draft programme and its financing are set out in Appendix 2.

| 20/21 £m | | 21/22 £m | 22/23 £m | 23/24 £m | 24/25 £m | 25/26 £m | Total £m |
|------------------|--------------------------------|------------------|------------------|------------------|------------------|-----------------|------------------|
| 31.109 | People | 31.374 | 14.241 | 11.958 | 2.072 | 0.000 | 59.645 |
| 98.683 | Growth & Regeneration | 142.096 | 81.045 | 61.050 | 42.839 | 20.654 | 347.684 |
| 17.031 | Resources | 8.321 | 6.587 | 4.711 | 2.500 | 2.500 | 24.619 |
| | - Corporate | 12.000 | 12.000 | 12.000 | 12.000 | 12.000 | 60.000 |
| | - Pending Schemes | 17.000 | 22.445 | 17.320 | 11.350 | 7.800 | 75.915 |
| 50.171 | Housing Revenue Account | 110.589 | 76.597 | 54.980 | 44.402 | 35.718 | 322.286 |
| 196.994 | Total | 321.380 | 212.915 | 162.019 | 115.163 | 78.672 | 890.149 |
| | <i>Financed by:</i> | | | | | | |
| (38.418) | Prudential Borrowing | (76.928) | (37.631) | (20.236) | (18.631) | (17.400) | (170.826) |
| (76.230) | Grant | (83.612) | (29.306) | (33.151) | (13.632) | (9.610) | (169.311) |
| (4.157) | Capital Receipts (GF) | (8.446) | (13.373) | (11.610) | (6.400) | (5.000) | (44.829) |
| (16.424) | Developer Contributions | (26.798) | (23.598) | (39.478) | (22.280) | (10.944) | (123.098) |
| (1.122) | Revenue/Reserves (GF) | (1.116) | (1.796) | - | (1.500) | - | (4.412) |
| (10.472) | WECA/Economic Development Fund | (13.891) | (30.614) | (2.564) | (8.318) | - | (55.387) |
| (50.171) | Housing Revenue Account | (110.589) | (76.597) | (54.980) | (44.402) | (35.718) | (322.286) |
| (196.994) | Total | (321.380) | (212.915) | (162.019) | (115.163) | (78.672) | (890.149) |

14. TREASURY MANAGEMENT STRATEGY

14.1. The Council's Treasury Management Strategy, Minimum Revenue Provision Policy, Investment Strategy and Prudential Indicators are set out in Appendix 4.

15. RISK MANAGEMENT AND FINANCIAL ASSURANCE STATEMENT

15.1. Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the Chief Finance Officers report when making decisions about the calculations.

15.2. The future uncertainty regarding future funding for local authorities makes a robust and evidenced assessment of financial governance and future resilience critical and in considering the robustness of any estimates, the following criteria has been assessed:

- Is performance against the current year's budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans?
- Are arrangements for monitoring and reporting performance against the savings plans robust?
- The reasonableness of the underlying budget assumptions based on information available.
- The alignment of resources with the Council's service and organisational priorities.
- A review of the major risks associated with the budget.
- The availability of un-earmarked reserves to meet unforeseen cost pressures.
- Have realistic income targets been set and 'at risk' external funding been identified?
- Has a reasonable estimate of cost pressures been made?
- Are arrangements for monitoring and reporting performance against the budget robust?
- Is there a reasonable contingency available to cover the financial risks faced by the Council?
- Is there a reasonable level of reserves which could be used to mitigate any issues arising and are they reducing as the risks decrease?
- The strength of the financial management function and reporting arrangements.
- Has there been quality of engagement with colleagues and councillors in the process to develop and construct the budget?

15.3. Responses to the above are outlined in section 15.15 below. In addition sensitivity analysis has been carried out in relation to the major assumptions used within the budget to ascertain the levels of potential financial risk in the assumptions being used.

15.4. As a result of unprecedented economic and financial uncertainty there will undoubtedly be risks inherent in the budget process and it is important that these are identified, mitigated and managed effectively. These are outlined in depth within the MTFP and the key financial planning risks that may affect the projections over the medium term and delivery of a balanced budget are summarised below:

Revenue:

- The table below illustrates the impact of any changes in standard key planning assumptions for any given year:

| | £m |
|--|-------------------|
| Income | |
| Change in Council Tax Collection Rates by 1% | 1.8 |
| Change in Business Rates Collection by 1% | 2.3 |
| Change in Council Tax Growth by 1% | 2.4 |
| Changes in Government Funding Settlement by 5% | 6.0 |
| Expenditure | |
| Change in Pay Award by 1% | 1.8 |
| Change in General Contract Inflation by 1% | 2.6 |
| In Year Pressure 2020/21 c/fwd (50% of P5 reporting) | 3.6 |
| | <hr/> 20.5 |

- Other uncertainties also include uncertainty in relation to the prolonged pandemic, its severity and the impact on economic recovery.
- The potential effects of Brexit on the Council.
- Future local government finance framework including business rates retention and lower core funding.
- Ongoing demand and cost of social care for both Adults and Children.
- 2023 Pension actuarial Review.
- Achievement of the Council's current and future year's budget savings in both their timing and income target.
- Income projections built into the budget may not be achievable due to factors outside of the council's control e.g. a worsening economic outlook and or reduction in investment yields.

Capital:

- Delays in the delivery of the Capital Programme.
- Potential risk of overspends on major capital projects.
- Risk of achievement of income targets on major capital investment projects, in particular those funded from prudential borrowing where there is a known additional MRP and interest cost or anticipated surpluses have been underwritten.

Investment:

- Impact from Bristol Holding and its related companies' expansion into new trading areas including Bristol Heat Network and potentially Cleaning and Security Services.
- Impact of Council ownership / winding up of BE2020/Bristol Energy.
- Failure of Bristol Holding and its related companies to deliver growth and profit targets in line with agreed business plans.
- Risk that non treasury Impact Investments does not achieve the desired outcomes and that the investment may not necessarily be returned to the Council.

General

- Collection fund balances and collection of Council Tax, Business Rates and impact of appeals.
- Risk to both the Council and to Schools from the accumulating DSG deficit carried as a negative reserve.

- Risk of exposure of any major legal claims against the Council.
- Reserve levels “resilience” to future financial pressures.

15.5. The significant budget risks have been identified above and suitable proposals are being put in place to mitigate against these risks where possible. The Corporate Risk Register (CRR) is a live document which seeks to provide assurance to senior management and Members that the Council’s main risks have been identified and that arrangements are in place to manage those risks within agreed tolerance. The Council’s wholly owned Companies carry out their own individual risk assessment which is incorporated into the Risk Registers contained within the Business Plans with the key significant strategic risks summarised in the Councils CRR.

15.6. Appendix 3 – Budget Risk Matrix contains a summary of selected key strategic risks, causes, impact, mitigating actions and provides an indicative assessment of how the risks identified in the CRR could be managed should they be realised during this medium term.

15.7. The Chief Finance Officer considers that the assumptions on which the budget have been proposed whilst challenging are manageable within the flexibility allowed by the Contingencies and General unallocated reserves. The fact that the Council holds other reserves earmarked for alternative purposes that could be called on if necessary means that the Chief Finance Officer is confident that overall the budget position of the Council can be sustained within the overall level of resources available.

15.8. The Council’s financial controls are set out in the Council’s financial regulations and scheme of delegations. The Council has a well-established framework for financial reporting at Executive Director Meetings, Corporate Leadership Board, Scrutiny Commissions and Cabinet with a separate dashboard for each directorate. Regular budget monitoring reports will be provided throughout the period to enable the Council to actively monitor the position during the year and take the necessary action to reduce activity or increase the provision.

15.9. The Council needs to be satisfied that it can continue to meet its statutory duties and meet the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Executive Directors and Directors are satisfied that this will enable them to continue to meet their statutory duties and the needs of the most vulnerable.

15.10. Where unavoidable pressures are identified that cannot be mitigated, collective ownership is taken and where appropriate, funds are held in abeyance, subject to mitigations or a supplementary estimate being agreed to minimise significant variations to net approved budgets. However, to the degree that the budget savings are not achieved in a timely manner and reserves are called on to achieve a balanced position, further savings will need to be identified and implemented in order to ensure the Council’s future financial stability is maintained.

15.11. The collection of council tax and the generation of business rate yields are two key risks which need to be closely monitored. As the Council becomes more reliant on locally raised resources and commercial income it is more susceptible to any downturn in the economy

- Council tax collection rates and level of arrears will be subject to regular reviews.
- Provisions for the impact of business rates appeals have been reviewed for sufficiency and activity in this regard will be proactively monitored.
- Volatility of Business rates income continues to be a significant risk, exacerbated by the pandemic, channel shift and expected slow recovery.

15.12. The potential effects of Brexit on the Council are too early to tell as they are largely overshadowed by the pandemic. impact may be experienced on future revenue budgets, capital projects, treasury management and the pension scheme (all adversely impacted by COVID). As the risks associated with BREXIT are so difficult to quantify the approach, in line with a number of local authorities is to protect the level of the General reserve to help mitigate any adverse impact. More detailed planning and risk assessments for the different scenarios are being carried out within the Council.

15.13. The Council must ensure reserves and balances are retained at an appropriate level in order to provide an adequate buffer for any series of one-off pressures – or to provide sufficient time to identify on-going mitigations in a systematic way. Based on the results of the risk assessments undertaken, an adequate level of reserves is as follows:

- General Fund un-earmarked reserve of £23.7 million at 1 April 2021 (6% of net baseline revenue budget of £388.8 million) and a financial risk resilience reserve totalling £5 million as at 1 April 2021, which when combined represent 7.4% of the 2021/21 net revenue budget.
- Other earmarked reserves totalling £93.4 million as at 1 April 2021 (excluding, HRA and school balances), which in an emergency can be utilised on a short-term temporary basis, provided the funding is replaced in future year When combined in a worst case scenario represent 30% of the 2021/21 net revenue budget.

15.14. In the context of the above, the Chief Finance Officer considers the proposed budget for 2021/22 is robust and that the level of reserves is adequate, given a clear understanding by members and senior management of the following:

- Directors and other budget holders should accept their budget responsibilities and subsequent accountability for all savings associated or inherited within the budget.
- The level of reserves is in line with the risk matrix, but their enhancement will be a prime consideration for the use of any fortuitous in-year saving.
- Risk based budget monitoring and scrutiny arrangements need to be in place and must include arrangements for the identification of remedial action.

- Budget risks are identified and recorded at the earliest opportunity and will be subject to focused control and management.
- To prevent the realising of operational earmarked reserves, directorates are required to have in place a clear plan for the drawdown of the reserves in line with the profile.
- Effective governance arrangements at a service and corporate level, to monitor the overall delivery of the 2021/22 budget plus regular finance monitoring reports to Cabinet and Scrutiny Commissions.
- There is a clear understanding of the duties of the Council’s statutory finance officer and that the service implications of them being exercised are fully understood.

15.15. Table – Assessment of robustness of any estimates

| Area | Y/N | Response |
|--|-------|--|
| Is performance against the current year’s budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans? | N / Y | COVID has had a significant impact, increasing the demand for many council services, particularly social care, homelessness and welfare support and coupled with a loss of income has led to higher than budget assumptions across the council. The uncertainty and volatility have made in year mitigation plans a challenge for some service areas. Detailed monitoring and report have ensued, and ongoing and unavoidable pressures have been considered by EDM’s CLB Scrutiny and members and are included in the plan. |
| Are arrangements for monitoring and reporting performance against the savings plans robust? | Y | Monthly Budget Monitoring, including Savings tracker. Governance via EDM, CLB, Delivery Executive, Cabinet and commissioning scrutiny. |
| The reasonableness of the underlying budget assumptions | Y | The major assumptions used in the budget calculation have been examined, where practical benchmarked, associated risks assessed, and impact of sensitivity assessment reported para. 15. |
| The alignment of resources with the Council’s service and organisational priorities | Y | Integrated budget and service planning exercise is undertaken for 2021/22 budget with alignment to the corporate strategy and MTFP. |
| A review of the major risks associated with the budget | Y | The Council and its subsidiary companies corporate and other risk have been reviewed, likelihood and impact assessed. |
| The availability of un-earmarked reserves to meet unforeseen cost pressures | Y | Unallocated general reserve in line with policy 5-6% net revenue budget; however, should this be exceeded or insufficient; as a short-term emergency measure longer term earmarked reserve could be |

| | | |
|--|-------|--|
| | | utilised. |
| Have realistic income targets been set and 'at risk' external funding been identified? | Y | The income aspects of the overall budget are calculated based on previous and current trends, taking into account known external factors and external funding changes extrapolated over the medium term. The one off and core revenue estimates including demand pressures and anticipated income lead to the calculation of the council tax requirement and the setting of the overall budget and council tax. |
| Has a reasonable estimate of demand cost pressures been made? | Y | |
| Have one-off cost pressures been identified? | Y | Yes see above. In addition, risks and pressures are identified, provisions made where evidence and or mitigating opportunities explored. |
| Has a reasonable estimate of future income been made? | Y | Yes, for income streams material to the council's financial position, subject to significant volatility and a small change could have a material impact. E.g. Business rates and council tax. Trends have been obtained, analysed and extrapolated based on a range of, scenarios, realistic scenario determined, and sensitivity tested. |
| Are arrangements for monitoring and reporting performance against the budget and savings plans robust? | Y / N | A detailed review of social care related and other savings which were not delivered in 2020/21 and the impact for 2021/22 has been carried out with revised proposals contained within the budget. Arrangements for monitoring revenue are robust to enable early corrective action to be taken. The governance and monitoring of the delivery of the schemes in the capital programme are at early stages and still need to be embedded in the council. |
| Is there a reasonable contingency available to cover the financial risks faced by the council? | Y | Risk reserves are outlined in Section 15, a material capital contingency has been established to reflect the major project risks and small revenue contingency set aside for non-delivery of savings which are in their infancy. |
| Is there a reasonable level of reserves, which could be used to mitigate any issues arising and are they reducing as the risks decrease? | Y | The adequacy of the level of reserves is fully assessed and set annually. It is reviewed periodically throughout the course of the year to check appropriate direction or release where no longer required. Request for new reserves are outlined in the budget report. |
| The strength of the financial management function and reporting | Y / N | The Council is making good progress on the implementation of the principles outlined in the FM |

| | | |
|---|---|--|
| arrangements? | | Code. Key elements of the Code are a long-term approach to financial planning (which has been hampered by the short-term nature and uncertainty of funding) and sound governance throughout the organisation. The Annual Governance statement and audits have identified some areas such as greater transparency in public reporting which we will continue to strengthen. |
| Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget? | Y | There has been widespread and practical engagement throughout the budget development and construction process with senior colleagues, Executive Councillors and Scrutiny MTFP task and Budget Task and finish group. |

16. RESERVES AND BALANCES

16.1. The Council holds several reserves as part of its approach to maintaining a sound financial position and to demonstrate that there are no material uncertainties about the Council as a going concern. The requirement for financial reserves is linked to legislation such as Local Government Act 1992, which requires Councils to “have regard” to the level of reserves needed to meet future expenditure when calculating a budget.

16.2. The application and use of reserves support the achievement of service delivery and improvements and can support any in year service budgetary pressures or budget pressures arising from funding reductions. The Council’s reserves policy is described below and reflects the guidance previously provided by the Audit Commission, in respect of the appropriate level of general reserves.

16.3. Additionally, some specific earmarked reserves are set aside to manage timing differences between the receipt of income and expenditure being incurred, in accordance with accounting rules.

General Reserve

16.4. The purpose of the Council’s General Reserve will be to meet costs arising from any unplanned or emergency events such as unforeseen financial liabilities or natural disasters. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to ‘smooth’ expenditure on a one-off basis across years. It will be maintained at a minimum level of between 5% and 6% of the council’s net revenue budget as endorsed in the MTFP.

16.5. The balance of the General Fund Reserve at 31 March 2021 is anticipated to be £19.8 million (5%) This is reviewed regularly and if this balance is forecast to reduce below this level in 2021/22 a provision to replenish this reserve will be included in future year budget proposals to the target level.

Earmarked Reserves

16.6. The purpose of the Council's earmarked reserves is to meet identified spending commitments. These reserves will only be used for the purpose for which they were created and will be reviewed periodically but as a minimum annually.

16.7. The opening balance in earmarked reserves on 1 April 2020 was £212.9 million of which £114.4 million relates to the general fund, £91.1 million the HRA and £7.3 million Schools. During the year 2020/21 there was a planned contribution of £21 million approved by Full Council under 2020/21 budget setting.

16.8. During 2020/21 a net contribution of £0.9 million has been added the balance of earmark reserves. Due to the uncertainty, prolongation and severity of the COVID impact on the Council's budget and government funding awarded will be held in reserves.

16.9. The Council is an extremely complex organisation with a wide scale and diversity of activities and assets, interest and liabilities. By their nature many of the risks cannot be quantified and in this current challenging financial climate it is essential that the Council maintains adequate levels of reserves.

| Reserve Type | Opening Balance 01.04.2020 £m | Net Movement £m | Closing Balance at 31.03.2021 £m | Forecast Movement £m | Closing Balance at 31.03.2021 £m |
|--------------------------------|--|--------------------------------|---|-------------------------------------|---|
| Statutory/Ring-Fenced | (18.521) | 0.950 | (17.571) | 0.343 | (17.227) |
| Capital Investment | (25.666) | (4.700) | (30.366) | 7.351 | (23.015) |
| Business Transformation | (3.131) | 2.210 | (0.921) | (1.185) | (2.107) |
| Financing | (9.218) | 4.145 | (5.073) | 2.492 | (2.581) |
| Risk and Legal | (16.050) | (1.286) | (17.336) | (0.510) | (17.846) |
| Service | (24.854) | (2.268) | (27.122) | (5.318) | (32.439) |
| Earmarked Reserve Total | (97.440) | (0.949) | (98.389) | 3.173 | (95.216) |
| General Reserves | (17.001) | (2.800) | (19.800) | (3.900) | (23.700) |

Reserve type and description

| | |
|-----------------------------------|--|
| Capital Investment Reserves | The capital reserve is maintained to provide funding for the Council's capital and commercial investments. |
| Business Transformation Reserves | Invest to save funds and feasibility funds for transformation programmes |
| Specific Risk Management Reserves | Risk Reserves Funds set aside to mitigate known risks not otherwise provided for including, contribute to costs of Waste contract, volatility in Housing Benefit Subsidy and uninsured risks. |
| Statutory/Ring-Fenced Reserves | 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, Stoke Park Dowry. |

| | |
|---------------------------|---|
| Financing Reserves | Includes PFI sinking fund, grant income carried forward in accordance with accounting regulations, including troubled families grant and resources set aside to match known contract liabilities, |
| Service Specific Reserves | Amounts set aside to finance specific projects or to meet known expenditure plans, for example election reserve for local elections |
| Legal Reserve | Funds set aside to commission advice and mitigate risks of potential litigation/claims. |
| Consultation Reserve | Funds set aside to mitigate risks of delays to delivery of savings as a result of consultation outcomes |
| General Risk Reserve | Funds set aside to mitigate risks aligning to risk register not specifically quantified |

16.10. In accordance with the policy on reserves, all forecasted balances to 31 March 2021 have been reviewed for their continuing need, alignment with council priorities and a risk assessment considering internal and external factors has been undertaken.

16.11. The following reserves have been identified for redirection or collation into a single fund to ensure more efficient management and deployment:

- Goram Homes – in order to progress the further pipeline opportunities for housing delivery additional working capital and development investments are needed in the company’s business plan.
- Digital Transformation & Business transformation – additional funding to support changes to IT systems and new ways of working to improve efficiency and reduce risk.
- Legal – The nature of Council business means there is continued underlying risk of legal claims and further funding is needed to respond to these pipeline claims.
- Resilience – the significant uncertainty over future Council funding indicates a greater level of reserve is needed to manage this uncertainty and maintain balanced budgets for any unexpected shocks.

| Redirected to: | Goram Homes | Digital Transformation | Business Transformation | Legal | Resilience | Total |
|---|--------------|------------------------|-------------------------|--------------|--------------|---------------|
| Existing Reserve | £m | £m | £m | £m | £m | £m |
| Capital Investment Reserve | 1.200 | | | | | 1.200 |
| Capital Financing - HIF | 5.100 | 0.900 | | | | 6.000 |
| Loans Fund | | 2.332 | | | | 2.332 |
| GDPR & Information Security | | 0.393 | | | | 0.393 |
| Business Information Management Systems | | 0.068 | | | | 0.068 |
| Commercialisation | | | 0.950 | | | 0.950 |
| Property Asset Management | | | 0.235 | | 0.165 | 0.400 |
| Operational Reserves | | | | | 0.331 | 0.331 |
| Future Risk | | | | | 0.744 | 0.744 |
| Saving consultation reserve | | | | | 0.229 | 0.229 |
| Pledges | | | | | 0.438 | 0.438 |
| Safecam decommissioning | | | | | 0.094 | 0.094 |
| Coroner Equipment Replacement Fund | | | | 0.059 | | 0.059 |
| Bristol Standard Reserve | | | | 0.087 | | 0.087 |
| Western Gateway | | | | 0.050 | | 0.050 |
| Thrive | | | | 0.018 | | 0.018 |
| Total | 6.300 | 3.693 | 1.185 | 0.214 | 2.000 | 13.392 |

16.12. During 2020/21 there is a planned contribution to reserves of £21.0m. This will be allocated to the areas as outlined below:

| Reserve Name | Proposed Transfers in 21/22 | Proposed Transfers in 22/23 |
|--|-----------------------------|-----------------------------|
| | £m | £m |
| Capital Investment | (6.000) | (4.076) |
| Serious violence and Contextual safeguarding | (1.500) | - |
| Adult Social Care Innovation Fund | (0.600) | - |
| Property Asset Management Plan | (0.500) | (0.500) |
| Project Management Office | - | (0.400) |
| Asset management plan | - | (0.500) |
| COVID Emergency Expenditure | (14.371) | - |
| Council Tax Support | (2.498) | - |
| Sub-Total | (25.469) | (5.476) |
| General Reserves | (3.900) | 0.000 |
| Total | (29.369) | (5.476) |
| Financed by: | | |
| New Homes Bonus | 2.600 | 1.400 |
| MRP Claw-back | 6.000 | 4.076 |
| COVID Emergency Funding Grant | 14.371 | - |
| Council Tax support grant | 2.498 | - |
| Social Care Grant | 3.900 | - |
| Total | 29.369 | 5.476 |

16.13. The levels of General and Earmarked reserves recommended in this report for the financial year 2021/22 are believed to be sufficient to meet all the Council's obligations and have been based on a detailed risk assessment. The reserve limits will be reviewed on an annual basis against prevailing risk assessments which consider both internal and external factors.

17. CONSULTATION AND SCRUTINY INPUT

Internal consultation:

17.1. Development of the MTFP and budget has been reviewed and challenged by a Task and Finish Group of the Council's Resources Scrutiny from September to December 2020. The Resources Scrutiny commission will consider the final budget proposals in meetings scheduled for 4 February 2021.

17.2. Comments received from Overview and Scrutiny Management Board on any individual matter arising will be incorporated in this report for Full Council.

External consultation:

17.3. The consultation on the Council's 2021/22 budget was open for six weeks from 16 November 2020 until 28 December 2020. The consultation sought views about alternative options for the level of Council Tax increase and Social Care Precept in 2021/22, before decisions on the 2021/22 budget are made by Full Council in February 2021.

17.4. The consultation was widely publicised through media, social media and communications with the public, including partner organisations, non-domestic rate payers and other stakeholders, a range of formats were available and utilised to boost response and individual responses were received and responses from organisations and individuals via email, suggestion boxes and at events.

17.5. The final report summarising the result is attached at Appendix 6.

17.6. The proposed budget contains propositions for increasing income and reducing costs. These proposals were included in previous consultations over the last three years.

Consultation Principles for New Proposals

17.7. The Mayor and the Cabinet are keen to listen to any ideas for generating efficiencies and increasing income. Where it has been identified that further public consultation is required in relation to a new initiative or specific implementation of an existing proposition the opportunity will be provided to discuss with the city the details of exactly how the proposal could be delivered within the approved cash limits.

17.8. Principles:

- Where specific consultation is still considered necessary, Full Council will set the service cash limit but will not make decisions on operation issues within the service budget.
- Decision (and consultation) in respect of detailed operational proposals are a matter for Cabinet.

- Following Full Council, Cabinet will decide how best to allocate funds within the designated cash limits. When making decisions on specific proposals within budget lines it will take into consideration consultation responses and Equalities Impact Assessments where needed, fully recognising the constraints on any departure from the Council's budget / financial plan.
- Services should ensure consultation is undertaken on defined proposals, giving consultees enough time and information to respond properly and that responses are considered. Informal engagement at a formative stage of proposals can also be beneficial.

18. OTHER OPTIONS CONSIDERED

18.1. Throughout the budget process, large number options are proposed and assessed in terms of opportunities, pressures, income generation, investments and risks. All of which need to be considered in the context of a balanced budget and appropriate level of reserves. This is a complex process with many iterations and possibilities too numerous to present as discrete options. This report presents the final overall package of detailed proposals, which together seek to balance the delivery of our strategic priorities and statutory and regulatory duties.

19. PUBLIC SECTOR EQUALITY DUTIES

19.1. As part of this decision-making process, the Public Sector Equality Duty Decision requires council staff and elected members to consider what will be the impact on people with protected characteristics, whether in the wider city or in our own organisation and have due regard to the need to eliminate discrimination and advance equality of opportunity. We need to understand who will be affected, how will they be affected and where possible, how to minimise unintended negative consequences by planning in mitigations from the start.

19.2. This report sets out the Mayor's budget proposals for Full Council to set the budget. Some proposals will need further development for Cabinet to make a specific decision. The process for this is set out in the section on consultation on new proposals (Para 17.7). For these proposals a relevance check is required and, where it is indicated as needed by the relevance check, a full Equalities Impact Assessment will be undertaken to inform Cabinet when making that decision.