Medium Term Financial Plan 2022/23 – 2026/27

1. Introduction

1.1. The Medium Term Financial Plan (MTFP) is a key part of Bristol City Council's (the Council) policy and budget framework and financial planning process. It is a rolling 5-year plan which is currently covering the period 2022/23 to 2026/27. The purpose of the MTFP is to provide a strategic framework to meet corporate priorities, taking a forward-looking approach to the management of the Council's financial resources and achieving sustainability over the medium term.

1.2. As a living document it is subject to annual review and revision. It needs to be responsive to changing national factors, local priorities, and conditions, take account of emerging pressures, risks, and opportunities to the Council's financial position. It provides a forecast outlook, aids robust and methodical planning, seeks to protect the financial health of the Council, considers the appropriate level of reserves that the Council holds to mitigate current and longer-term risks and ensure sustainable services, and that financial resilience can be achieved.

1.3. It is important to understand that the MTFP does not constitute a formal budget. It provides the financial parameters within which budget and service planning should take place, to ensure the Council sets a balanced budget. In accordance with Section 31A of the Local Government Finance Act 1992, the final decisions on the overall Budget and Council Tax level are for full Council and following the appropriate consultation and considerations, must be made by Council before 11 March 2022.

2. Executive Summary

2.1. The MTFP underpins the Council's financial planning process and outlines the approach to meeting the challenges presented from changes in funding and growing demand for our services for the period 2022/23 to 2026/27. One of the main objectives of the MTFP is to plan for the delivery of services within an uncertain external environment and to ensure the achievement of value for money.

2.2. The Covid-19 pandemic is undoubtedly one of the most significant matters that has had a global impact for a generation, and a profound and unprecedented impact on the city, the Council's activities, and its finances, since March 2020.

2.3. The Council alongside city partners recognised local needs and impacts across our diverse communities and working together rough sleepers and homeless people were assisted off the streets, our most vulnerable were sheltered and in addition £millions of business support grants were distributed to businesses restricted or forced to close, and financial support provided to individuals and families in hardship that were directly impacted by the pandemic.

2.4. The pandemic has resulted in major financial effects on the Council's financial position. This was largely due to increased spending on housing and providing accommodation for former rough sleepers and social care, alongside reduced income from car parking, Council Tax and previously agreed savings at risk. This resulted in additional funding requirements of £74.7 million in 2020/21 and forecast additional funding requirement of £47.3 million in 2021/22. The financial scarring effects of the pandemic will continue to impact demand for services and income due to the Council in 2022/23 and for many years to come.

2.5. Government funding for councils has already reduced significantly over recent years. According to the Local Government Association (LGA), local authorities in England and Wales face an £8 billion funding gap over the next three years. This is equivalent to all council spending on museums, sports facilities, pools, libraries and parks.

2.6. Whilst the Council is not alone in facing these challenges this does not lessen the scale and the impact on the residents and businesses within the city. Even though restrictions have been lifted there is still much uncertainty as to the associated long-term impact on public finances. In addition to the unwinding of various Covid-19 short term financial supports such as furlough and the universal credit £20 uplift, several other economic challenges, which can in part be attributed to Brexit, have emerged during the recovery and is impacting on the Councils finances.

2.7. Commodity producers have struggled to keep up, driving up global commodity prices. UK wholesale gas prices have more than tripled since the beginning of 2021, so prices for gas and electricity have risen sharply. Labour shortages in several essential sectors, from lorry drivers to care workers and those in the food supply chain, causing problems in areas such as waste, social care, retail and hospitality. Employers are already having to offer higher wages to attract staff and these price and wage increases are producing higher inflation.

2.8. The challenges of Covid-19 recovery and Brexit poses significant economic implications and as such post pandemic recovery provides the backdrop to the refresh of the MTFP.

2.9. The local picture in Bristol reflects the national one in terms of the challenges facing the public sector. In particular, care provider services for Adults and Children and the increasing number of children with Special Educational Needs and Disabilities (SEND) which continues to rise. This is due to factors such as increasing demand, complexity of need, internal / external capacity and market stability issues in the independent sector.

2.10. The areas above are in addition to primary pressures such as inflation and continue to represent the most significant risk to the Council's finances. These have not been addressed by the recently announced health and social care levy which tackles the tip of the iceberg and over the medium term directs the funding to health.

2.11. The challenges faced pre-pandemic for some groups and communities, such as homelessness and education and care of children with SEND, have been amplified. Other groups have been adversely affected by the health, social and economic impacts and will need more help to recover, or support where they did not prior to the pandemic, for example, increased mental health conditions.

2.12. The 2021 Spending Review and Autumn Budget provided a better than anticipated spending plan with an increase announced to local government core funding. With the continuing cost pressures and the estimated potential new funding the Council's MTFP forecasts a funding gap of £23.1 million in 2022/23 as summarised in the table below.

Table 1 – Summary Financial Outlook

Summary Financial Outlook

	22/23	23/24	24/25	25/26	26/27
	£m	£m	£m	£m	£m
Original Budget (Excl. Funds held in Abeyance)	388.439	398.117	412.004	413.004	421.214
TOTAL Emerging Pressures	45.454	40.123	39.511	38.691	39.045
Indicative Budget Requirement	433.893	438.240	451.515	451.695	460.259
TOTAL Indicative Funding	410.753	430.729	445.928	444.730	456.856
INDICATIVE Budget GaP	-23.140	-7.511	-5.587	-6.965	-3.403

2.13. This budget gap needs to be viewed in the context of the additional cost pressures and attributed Covid-19 response / recovery funding received (as outlined in section above) in this and prior year. The funding gap will need to be addressed. Public Health and the Housing Revenue Accounts (HRA) are ringfenced accounts and operate on a principal of self-funding, as such they will seek to contain the additional costs and new burden.

2.14. The forecasted deficit to be carried forward in the Dedicated Schools Grant (DSG), continues an upward trend and expected to reach circa £35.8 million by the end of 2022/23. The Council (and schools) have been able to invest substantial revenue resources in High Needs (Education Transformation SEND programme) and will need to consider how best this support can be provided for the next five year period, to mitigate these pressures and protect the most vulnerable in our community.

2.15. The 2021 Spending Review set out a 3-year spending plan which provides some clarity, however no details were included in the announcement in relation to core funding streams such as 100% Business Rates Retention Pilot, New Homes Bonus and any further increases to the High Needs funding within the education uplift. Similarly, a commitment has not yet been given to a multi-year (3) financial settlement for local government which would lock in the figures outlined and provide the funding certainty we seek.

2.16. The budget which will need to follow, will take account of any confirmed allocations and financial settlements for the Council. Despite these constraints the Council will need to adapt swiftly and innovatively to meet the needs of our residents in a rapidly changing world. The Council remain committed to tackle the financial challenges, while at the same time modernising the services it delivers with a clear emphasis on tackling poverty and inequality and addressing climate change, in partnership with residents and other organisations.

2.17. The MTFP recognises the need to achieve significant value for money in service delivery and allows for ways of delivering services that are innovative and / or a departure from traditional models. The Council will need to continue to work to assess, quantify and where possible manage emerging pressures outlined in this report, and ensure that in achieving a balanced position, investment and disinvestment decisions are driven by our policies and the needs of the City.

2.18. While Revenue Budget expenditure is concerned with the day-to-day running of services our Capital Programme is concerned with investment in the physical assets required in Bristol as a place; to maintain the essential infrastructure and attractive environment that we know is so important to the people who live, work and visit the city.

2.19. The Capital Strategy 2022/23 to 2031/32 sets out a framework for funding and investment decisions in respect of capital assets, in the context of our vision and priorities and available financial resources. As a rolling strategy with an annual refresh,

it sets out the long-term context in which capital expenditure and investment decisions are made. In addition to the budgetary impact, it considers both risk and reward and impact on the achievement of priority outcomes.

2.20. Capital investment decisions have implications for the Revenue Budget, in relation to:

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

2.21. The annual reserves review will need refocussing as part of the 2022/23 budget process. A key consideration in assessing the adequacy of the council's reserves is the need to be continually alert to the risks and uncertainty to which the Council could be exposed and ensure the financial sustainability of the Council would not be challenged over the medium term. As a matter of prudence, the Council will need to manage the level of the reserves held to support the potential for refining saving propositions as due diligence and individual consultation where required are conclude, and for funding risks and uncertainty. Any temporary increases in these reserves should be unwound when key matters are resolved and greater certainty achieved and in doing so moving back towards our standard policy of maintaining an unallocated general reserve at between 5% - 6% of the net revenue budget, to cover any major unforeseen expenditure.

2.22. In recent years we have demonstrated our ability to rise to the challenges presented by sustained and growing demand for our services through managing demand, leveraging external income, maximising locally generated income, and reducing costs. The MTFP sets out an approach to meeting the demands in a sustainable manner and providing some resilience at a time of continuing economic uncertainty.

3. Governance

3.1. Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by statutory provision. The general financial management of a local authority, however, has not until now been supported by a professional code.

3.2. The Chartered Institute of Public Finance & Accountancy (CIPFA) has introduced a Financial Management (FM) Code in the context of several public bodies demonstrating and reporting that they are facing significant financial challenges. The purpose of the Code is to provide a solid foundation to manage the short, medium- and long-term finances of the organisation; to manage financial resilience, to meet unforeseen demands on services and to manage unexpected shocks in financial circumstances and to place long term sustainability of local services at its heart.

3.3. The Code complies with other legislation and associated CIPFA codes and is evidence of compliance with statutory and professional frameworks. The Code has several components, comprising:

- An introduction explaining how the FM Code applies, a principles-based approach and how it relates to other statutory and good practice guidance on the subject.
- The CIPFA Statement of Principles of Good Financial Management, the benchmarks against which financial management should be judged. CIPFA's view is that all financial management practices should comply with these principles.

- The FM Code then translates these principles into financial management standards which will have different practical applications according to the circumstances of each authority and their use should therefore reflect this.
- The principle of proportionality is embedded within the Code, reflecting the non-prescriptive approach adopted by CIPFA.

3.4. The Council already adopts many of these principles in the management of its finances and throughout the full cycle of financial planning, budget setting, in-year monitoring and statutory reporting. The Council is working towards full adoption of the FM Code, with any changes required to governance and the financial management to be implemented during the current financial year.

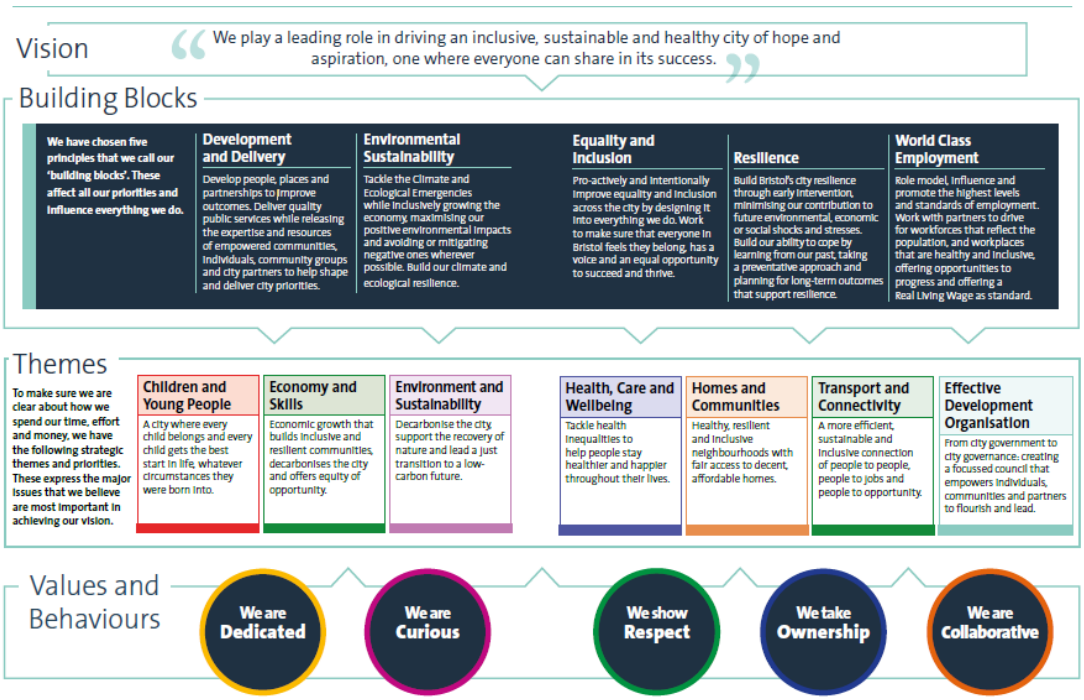
3.5. The Code will provide assurance of the Council's effectiveness in its prudent use of public resources, financial management, adherence to legislative requirements in our jurisdictions and evidence of good governance. Compliance with the standards will be the collective responsibility of elected members, the Chief Finance Officer and the corporate leadership team and subsequent reports will be presented to the Council's Audit Committee detailing progress, any areas of further development and non-compliance.

3.6. The supporting Financial Management Standards are summarised in Annex 1.

4. Council Priorities

4.1. The Council's refreshed Corporate Strategy 2022 - 2027 is to be presented to Council in December 2021 for approval. It sets out the Council's vision for Bristol, including the key priorities to be delivered over the medium term. It links with other key strategies and contributes to the delivery of the long-term One City Plan and shared vision for the city.

Figure 1: Corporate Strategy at a glance



4.2. The Corporate Strategy will lay the foundation for delivery of the vision and consists of **7 high level strategic themes** and 32 priorities that are the most important in achieving the Council's vision. They are all underpinned **by 5 building blocks** and the values and behaviours that guide how the Council will work. The strategy has been developed through extensive consultation and engagement with residents, partners and stakeholders.

4.3. Both the MTFP and Capital Strategy sit alongside and seek to complement the Corporate Strategy (medium term) and the Council's contribution to the One City Plan (long term), setting out a framework to ensure the Council lives within its means, and targets available resources to the priority areas and regulatory obligations that may arise over the medium term.

4.4. The following strategic themes and priorities will guide how we spend, invest, and generate efficiencies (time and money), in achieving the Council's vision.

Table 2: Strategic Themes and Priorities

1. Children and Young People A city where every child belongs and every child gets the best start in life, whatever circumstances they were born in to.	CYP1 Child Friendly City CYP2 Supported to thrive CYP3 Equity in education CYP4 Intergenerational equality
2. Economy and Skills Economic growth that builds inclusive and resilient communities, decarbonises the city and offers equity of opportunity	ES1 Regeneration ES2 Access to Employment ES3 Good Growth ES4 Childcare ES5 Digital Inclusion
3. **Environment and Sustainability** Decarbonise the city, support the recovery of nature and lead a just transition to a low carbon future	ENV1 Carbon Neutral ENV2 Ecological Recovery ENV3 A Cleaner, Low Waste City ENV4 Climate Resilience ENV5 Global Leadership
4. **Health, Care and Wellbeing** Tackling health inequalities to help people stay healthier and happier throughout their	HCW1 Transforming Care HCW2 Mental Health and Wellbeing HCW3 Poverty
5. **Homes and Communities** Healthy, resilient and inclusive neighbourhoods with fair access to decent, affordable homes	HC1 Housing Supply HC2 Low and Zero Carbon Homes HC3 Homelessness HC4 Disability HC5 Community Participation
6. Transport and Connectivity A more efficient, sustainable and inclusive connection of people to people, people to jobs and people to	TC1 Connectivity TC2 Improved Bus Services TC3 Safe and Active Travel TC4 Infrastructure
7. **A Development Organisation** From city government to city governance: creating a focussed council that empowers individuals, communities and partners to flourish and lead	EDO1 One City EDO2 One Council EDO3 Employer of Choice EDO4 Data Driven EDO5 Good Governance EDO6 Estate Review

4.5. Development and delivery, equality and inclusion, resilience, environmental sustainability, and world class employment lie at the heart of the priorities above and building a better Bristol.

4.6. The 2022-27 Corporate Strategy is not a rewrite but a refresh, with an enhanced focus on key priorities, all of which demonstrably contribute to achieving the United Nations Sustainable Development Goals (framework for the major global challenges of economic, environmental, and social sustainability, which every country in the world has agreed to deliver by 2030). The themes and priorities in the table above will also be used to set the framework for performance monitoring and guide the alignment and development of affordable and sustainable annual service and business planning across the Council.

5. Financial Outlook

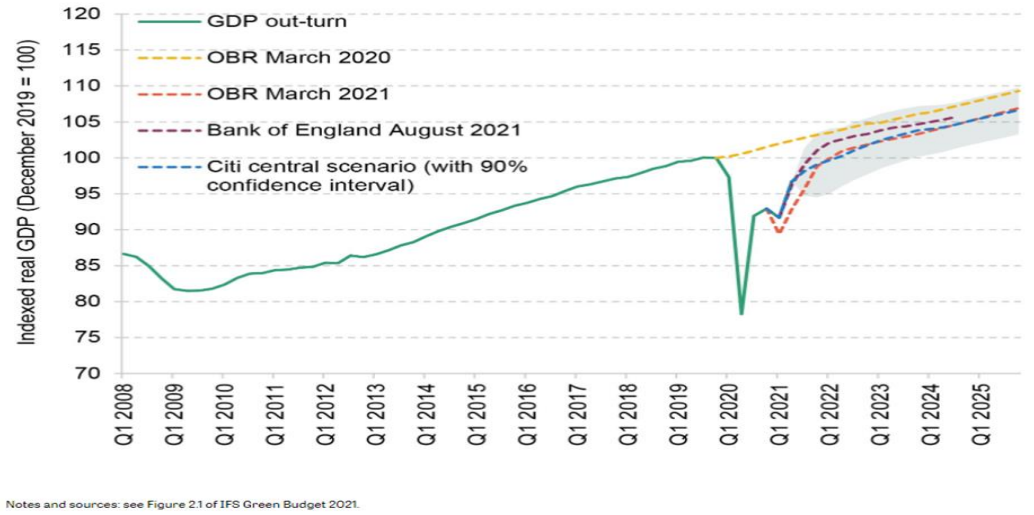
The financial outlook considers the implications of the following on both the demand for services and likely resourcing levels over the next 5 years:

- National Context
- New Legislative and Policy Change

National Context

5.1. The assessment by the Institute for Fiscal Studies (IFS) is that the UK economy is in the midst of a sharp and wildly imbalanced recovery. Following robust GDP growth (5.5% compared with the previous quarter) in Q2 2021 as lockdown restrictions were eased, the UK's economic recovery is projected to slow into the autumn as staff shortages and supply chain disruption partly limit the gains. Consequently, the UK economy is only expected to return to its pre-pandemic level in Q1 2022 with growth of 5.2% forecast for 2022 and as illustrated in the IFS graph forecast to Q1 2025 all remains below the Office of Budget Responsibility (OBR) forecast provided in March 2020.

Figure 2: Real gross domestic product (GDP), 2008–25



5.2. The success of the Covid-19 vaccination rollout, easing of restrictions and the extension of fiscal support have all underpinned a faster economic reopening than was anticipated at the start of the year. However, the rebound is contorted by sectoral and regional

imbalances: demand is exceeding supply in some areas of the economy but lagging behind in many others. It is expected that a combination of lingering public health concerns, income losses and supply impairments will drive a further fading of growth momentum over the winter and a sustained and complete economic recovery remains far from secure.

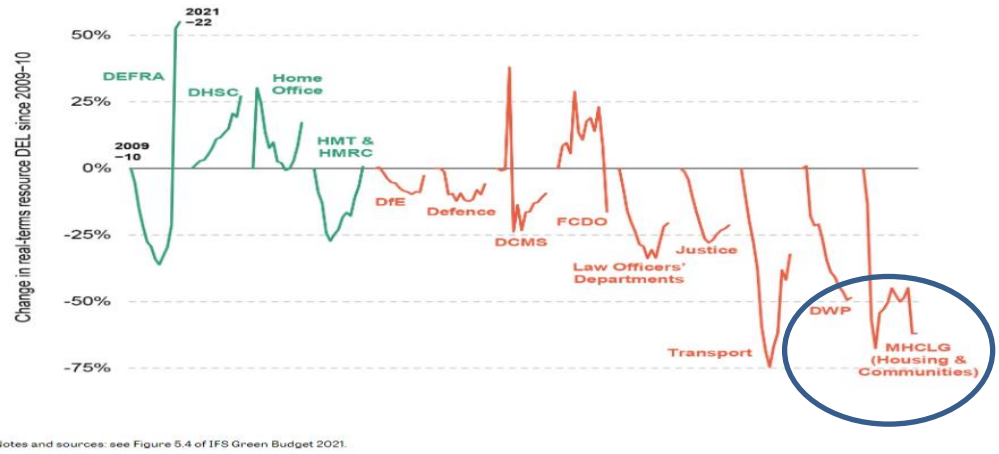
5.3. As furlough unwinds and more return to the labour force, and future easing uncertainty leads to labour mobility, the UK's unemployment rate is expected to rise to a peak of 5.5% in Q1 2022 – equivalent to another 133,000 workers unemployed. With firms' finances still struggling to recover from Covid-19, and skills mismatches likely to limit the extent to which those seeking jobs after furlough can move into available roles, resulting unemployment is projected to drift moderately higher in the near term, despite staff shortages.

5.4. The price and wage increases are producing higher inflation. Whether this is temporary will depend on consumer and worker expectation. Firms will raise prices and more workers will want higher wages, causing an inflation spiral.

5.5. The upward pressure on prices from a range of factors, including the release of pent-up demand as restrictions are eased, and the rising cost of raw materials amid ongoing supply chain disruption, means that CPI inflation is expected to continue to increase sharply in the second half of 2021, with annual CPI forecast to peak at 4.6% in April 2022, which if realised would be the highest rate since Q4 2011.

5.6. Higher inflation could lead to higher interest rates which would also have repercussions for public finances. Future Government debt becomes more expensive, which could put a further squeeze on public spending, and the Chancellor's flexibility to increase rates in the Spending Review 2021 and Autumn, Budget. The IFS graph below illustrates the trends in core departmental spending since 2010 with local government being supported with one off grants, whilst experiencing the second largest budget reduction, exceeded only by the Department for Transport.

Figure 3: Percentage change in departmental 'core' (non-virus) resource budgets, 2009−10 to 2021−22.



Notes and sources: see Figure 5.4 of IFS Green Budget 2021.

5.7. The spending envelope, set out by the Chancellor in October, indicated that improvements in the UK economy have enabled increases in spending (3.8% real terms growth, £150 billion in cash terms) and the Chancellor's key focus in the Autumn Budget is on post Covid recovery.

5.8. These plans are difficult to reconcile with the position being faced by local government across the UK, that is forecasting an ongoing Covid impact on our people, our economy and our finances. The certainty and stability of multi-year (3 year) funding commitments, whilst retaining the flexibility to respond to changing conditions is essential. Covid-19 pressures on the public sector will not simply dissipate after this year: ongoing support will be required in the medium term. The certainty and stability of a multi-year (3 year) funding commitment, whilst retaining the flexibility to respond to changing conditions, is essential.

New Legislative and Policy Change

Liberty Protection Safeguards

5.9. The Mental Capacity Act 2005 includes a provision known as Deprivation of Liberty Safeguards (DoLs), which enables the council to put protections in place for an adult who lacks capacity and is in a hospital or care home. This may be, for example, by preventing them from going out unsupervised if it is not safe for them to do so.

5.10. The Mental Capacity (Amendment) Act 2019 received the Royal Assent on 16 May 2019. The purpose of the Act is to abolish the DoLS and to replace them with a completely new system, the Liberty Protection Safeguards (LPS). These revised safeguards will further enhance the Council's arrangements for the protection of vulnerable people who may be unable to manage their day-to-day activities safely.

5.11. The Government announced on 16 July 2020 that the original implementation date for LPS (1st October 2020) would be postponed until April 2022 with the DoLs arrangements running alongside until March 2023. LPS implementation impacts widely across the Council's People's Directorate creating new expectations and requirements for both Adults' and Children's frontline social care practice.

5.12. The LPS is intended to improve the arrangements for the care and treatment of vulnerable people by being more streamlined, more person-centric and less bureaucratic and costly.

5.13. The financial impact will be driven by two main factors. The simplified workflow, which will reduce costs and the expected increase in clients, which will increase costs. (ie. cost per client is expected to reduce, but the number of clients is expected to increase). It is not currently possible to quantify these two factors, so at present the financial impact is to be determined.

5.14. Government has concluded that the net effect of the changes will be cost neutral and as such ongoing monitoring of the position will be required to ensure that the Council is aware in of any financial risks and or budgetary pressures from this change.

Public Health Reforms

5.15. Reforms to the public health system announced in March 2021 became fully operational on 1 October 2021. Public Health England (PHE) formally closed transferring all its health protection functions into the UK Health Security Agency (UKHSA) and health improvement/healthcare public health functions into the Office for Health Improvement and Disparities (OHID), NHSE/I and NHS Digital. NHS Test and Trace functions will also become part of UKHSA and will continue to be visible as part of the response to the Covid-19 pandemic.

5.16. UKHSA's mission is to provide health security for the nation by protecting from infectious disease and external hazards:

- Prevent: anticipate threats to health and help build the nation's readiness, defences and health security
- Detect: use cutting-edge environmental and biological surveillance to proactively detect and monitor infectious diseases and threats to health
- Analyse: use world-class science and data analytics to assess and continually monitor threats to health, identifying how best to control and mitigate the risks
- Respond: take rapid, collaborative, and effective actions nationally and locally to mitigate threats to health when they materialise
- Lead: lead strong and sustainable global, national, regional, and local partnerships designed to save lives, protect the nation from public health threats, and reduce inequalities

5.17. The government has indicated there is no intention of changing the scope of councils' public health commissioning responsibilities and functions. There is however a possibility of additional burdens for local authority public health from the agenda for change or public health challenges arising directly or indirectly from Covid-19. No growth or reduction is anticipated in the grant funding levels for 2022/23 (e.g. steady state) and therefore there is a potential real terms reduction.

The Health and Social Care Levy Bill 2021-22

5.18. The government's new 'health and social care levy' to fund increases in associated spending in England, alongside reforms to the provision and funding of social care has been passed by the Commons and will become law.

5.19. The levy will be a 1.25% tax on earnings for employees, the self-employed and employers. It will tax earnings in the same way as National Insurance contributions (NICs), except that it will also apply to the earnings of those over state pension age. It will come into force in the tax year starting in April 2023. However, before the levy is introduced all three rates of NICs will increase by 1.25%, in April 2022.

5.20. The government estimates the new measures will raise an average of £12 billion per year: £11.4 billion from the levy and £0.6 billion from dividend tax rate increases. In addition to the net £11.4 billion revenue generated by the levy, a further £1.8 billion of levy will be paid by public sector employers but this is assumed to have no net benefit for the Treasury because it is effectively the public sector paying tax to itself, and the government has said it will compensate public sector bodies for the extra cost.

5.21. Of the estimated £36 billion the new Health and Social Care levy will raise over three years, only £5.4 billion is to be ringfenced for social care in England. Unlike for the NHS, none of this money appears to be allocated to help tackle the significant pressures facing social care now.

5.22. Key Components:

- Capped costs – from October 2023 'personal care' costs will be covered by the cap, such as dressing, washing and eating, which will see no-one spend more than £86,000 on care over their lifetime (excl. spending on 'hotel' costs (bed and board) in residential care). The cap will apply irrespective of a person's age or income.
- Raised floor - the level of savings and assets an individual can hold and still be eligible for council-funded care has been raised from £23,250 to £100,000. When assets and savings fall below £20,000, full council funding may kick in—between

the lower and upper levels, council support will taper as it does now with a requirement for people even with means below £20,000 to contribute from their income remains.

- Workforce support - allocation is £500 million for workforce development. Investment in training and wellbeing (excl. low pay, poor contractual conditions, impact of mandatory vaccines, Brexit, and new immigration rules), are leaving posts unfilled and providers struggling to provide safe care.
- Fees paid to providers - providers charging people who pay for themselves will need to be aligned – requiring councils having enough money to fund higher fees that will now additionally have to absorb the increased NI costs.
- The proposals also seek to ensure that self-funders are able to ask their local authority to arrange their care for them so that they can find better value care. However, this is likely to affect the price of care, as many providers rely on using higher self-funder fees to cross-subsidise the costs of state-funded residents.
- From April 2022 - to allow people receiving means-tested support to keep more of their own income, the government will unfreeze the Minimum Income Guarantee (MIG) for those receiving care in their own homes, and Personal Expenses Allowance (PEA) for care home residents, so that they will both rise in line with inflation. It is estimated that this could reduce the Council's Adult Social Care income by £240,000.

5.23. The NHS cannot be fixed without also fixing social care and the government's social care plan provides no extra funding to pay for other desperately needed reforms such as investing in prevention, care worker pay, quality, access, innovation, and new models of care, meeting unmet and under-met need and will do nothing to immediately help the millions of people who draw on and work in care and support or requiring frontline social care.

5.24. The indication is that the £5.4 billion package for social care included money for councils to move towards paying a "fair rate for care", suggesting that local authorities will increase the fees paid to care homes.

5.25. These social care reforms will require additional resources and systems changes within the Council to administer the changes. Work is ongoing to assess this potential impact, however without this matter being appropriately addressed in the upcoming Spending Review, councils will be required to shoulder additional costs through appropriate local level mitigations.

The Afghanistan Resettlement Schemes

5.26. The government recently issued an urgent appeal to local authorities for assistance in resettling families who had fled Afghanistan. There are two schemes in operation to resettle Afghan families in the UK:

- Afghan Citizens Resettlement Scheme (ACRS) - the ACRS provides vulnerable refugees from Afghanistan and those put at risk by recent events in Afghanistan with a route to safety. The scheme prioritises vulnerable people, including women and girls at risk, and members of minority groups at risk.

- Afghan Relocations and Assistance Policy (ARAP) - offers eligible current or former Afghan locally employed staff who are assessed to be under serious threat to life priority relocation to the UK.

5.27. As well as sourcing private rented accommodation, the support the Council will provide is expected to include ensuring families have access to ongoing mental health support, education, food, medicine and other vital services.

5.28. Funding Components:

- Councils providing this support will be provided a core local authority tariff totalling £20,520 per person over a three-year period for resettlement and integration costs. This figure is based on the previous Syrian Vulnerable Persons Resettlement Scheme, but over three rather than five years, with more money provided in the crucial early period to help people settle and become part of their new communities and become self-sufficient more quickly.

- In year one only, councils and health partners who resettle families will also receive up to £4,500 per child for education, £850 to cover English language provision for adults requiring this support and £2,600 to cover healthcare.

- At a national level a further £20 million of flexible funding has been made available to support local authorities with higher cost bases with any additional costs in the provision of services. In addition, the previously announced Afghan Housing Costs Fund will increase from £5 million to £17 million and run for two extra years to help local authorities provide housing and give certainty that funding will be available in the future.

- The government is making at least £12 million available to prioritise additional school places, to provide school transport, specialist teachers and English language tuition. Further funding is available for up to 300 undergraduate and postgraduate scholarships for Afghans at universities. Adults will also be able to access English language courses free of charge.

5.29. Families who need support navigating the system will also have access to liaison officers who can work with local authorities to help them get set up with a GP, National Insurance number, school place, accommodation, and more tailored support, as required.

5.30. Councils' development and delivery of the schemes will need to recognise existing pressures on many areas, particularly around support for asylum seekers and key challenges including sourcing accommodation. The associated costs will need to be appropriately captured, recorded and recovered with engagement with government on the principle that participation in the Afghan resettlement schemes is intended to be fully funded.

6. Five Year Financial Outlook

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

6.1. The Budget approved by the Council in February 2021 outlined a 5-year balanced position. The net budget over the medium term is inclusive of £12.013 million of savings

and efficiencies, impacting 2021/22 and 2022/23 financial years. The table below outlines the indicative funding envelope underpinning the Council's medium term budget.

Table 3- Previously Approved Net General Fund Budget 2021 – 2026

20/21 £m		21/22 £m	22/23 £m	23/24 £m	24/25 £m	25/26 £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

6.2. The development of the 2022/23 estimates contained the following key assumptions:

- Council Tax increase of 1.99% for general purposes
- No permissible Adult Social Care Precept for 2022/23
- Reforms to business rates retention pilot from 100% to 75%
- Pre 2020 Social Care Grants – retained and cash flat
- Social Care Grant (£200m SR2020) – One off 2021/22 only
- New Homes Bonus - legacy payment only 2022/23
- Pay award 2.5% - subject to agreement with trade unions
- Centrally held 2% general inflationary provision for essentials (utilities and Adult Social Care) or unavoidable (PFI (Private Finance Initiative) index linked contracts and business rates payable by us) supplies and services budgets.
- General inflationary increase of 2% on fees and charges
- Contingency of up to £1.9 million for variations in efficiency propositions or undeliverable savings
- Unallocated general reserve will be retained between 5-6% of the net revenue budget at each budget setting period.

6.3. Within this baseline position there remained significant uncertainty in relation to future collection fund losses, one-off grant funding streams, ongoing Covid-19 recovery funding and future local government funding reforms such as fair funding and business rates. The Council sought to de-risk the budget by only allocating one off or uncertain funding to one off initiatives and pressures.

6.4. The financial outlook is a live document and is under regular revision. The baseline position has been adjusted to reflect the latest information, and incentive or growth funding that may be at risk in the future excluded. The assumptions are scenario tested

to show a realistic indication of the possible available resources and potential best / worst case to provide a range of outcomes.

GENERAL FUND - Indicative Available Funding

6.5. The forecast level of overall general fund resources available to the Council, including retained business rates, central grants, and Council Tax income, over the next planning period is £410.7 million (this figure is £11.7 million more than originally estimated in the budget) and broken down in the table below.

Table 4: Indicative Available Funding

21/22 £m	Indicative Available Funding Medium(Base Case)	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m
236.197	Council Tax	244.661	253.280	261.469	269.871	278.493
133.622	Business Rates	132.900	135.200	138.500	140.900	143.400
3.812	New Homes Bonus	1.410	-	-	-	-
30.355	Social Care Grants	31.226	32.093	33.003	33.959	34.963
25.161	New Govt. Grants	12.956	12.956	12.956		
- 5.037	Collection Fund (surplus/deficit)	- 12.400	- 2.800	-	-	-
424.110	Total Indicative Funding	410.753	430.729	445.928	444.730	456.856

6.6. The underpinning assumptions in relation to each of the funding categories are outlined in the subsequent sections.

Council Tax

6.7. Council Tax is the main source of locally raised income for the Council. The Chancellor's recent budget indicated the assumption that the referendum threshold will be set at 2% per annum for Council Tax, with additional flexibility to increase the Adult Social Care Precept by 1%. This is subject to consultation and final agreement by parliament. For planning purposes, this MTFP assumes the Council will remain within the limits outlined, with annual core Council Tax increases of 1.99% and Social Care Precept of 1%. Together with the tax base growth, this would generate an additional £244.6 million in 2022/23.

6.8. The population of Bristol is estimated to grow by 0.5% in comparison to the previous year. Over the next 5 years, Bristol is projected to have an additional 13,560 people, increasing to around 490,560 by 2027. This population increase drives additional housing and therefore increases the Council Tax base which can generate additional receipts to the Council.

6.9. There are various discounts and exemptions to Council Tax such as single person discount, student exemptions and Local Council Tax Reduction Scheme. Most of these are set at a national level except for the Local Council Tax Reduction Scheme. The pensioner element of this scheme is set nationally and replicates the level of support under Council Tax benefit (ie. the lowest-income pensioners do not have to pay any council tax). Local authorities are required to design their own scheme for low-income council taxpayers of working age and for Bristol this broadly replicates that for pensioners, in that those on the lowest income do not have to pay Council Tax.

6.10. Bristol hosts two universities, one of which falls within the Bristol City boundary, and that have a combined student number in excess of 58,000. The growth in university capacity and student numbers has an impact on the Council Tax raised and on the provision of Council's services. The wider economic impact attributed to the city is difficult to quantify, however between them they employ over 9,800 staff and according to research carried out by the Russell Group on its 24 member universities, large student population drives inward investment, volunteers in the community, set-up businesses, support the city's hospitality and retail sectors, cultural organisations and sporting activities. They play a key role in the city's economy and in making the city such a vibrant and creative place.

6.11. Just over 83% of chargeable dwellings in Bristol are classified as being in Band A to C (63% A & B) for Council Tax purposes. Nationally, the average for England bands A to C is 66% (44% A & B). In addition, Bristol has a high volume of residents who qualify for discounts and exemptions. Bristol's tax base in 2021/22 is reduced by 25.3% due to the impact of council tax discounts, CTRS and exemptions, whereas the average reduction across England is c.20%. This can be compared to a pre Covid-19 base reduction in 2019/20 of 24% due to the impact of council tax discounts, CTRS and exemptions in comparison to reductions across England of 20%.

6.12. Adult Social Care Precept - since 2016-17, local authorities have been able to increase Council Tax by an additional amount which must be allocated to fund Adult Social Care only. This is in addition to the usual funding of social care through Council Tax. This applies to London boroughs, county councils, metropolitan districts and unitary authorities. In 2016-17, this additional flexibility was set as up to 2%. In 2017-18 and 2018-19 it was up to 3%, and then up to 2% in 2019-20, with a maximum of an increase of 6 percentage points over the period 2017-18 to 2019-20. In 2020-21, the flexibility was set as up to 2%.

Table [redacted] Average Band D council tax precept for adult social care in 2020-21 [redacted]

	2016-17	2017-18	2018-19	2019-20	2020-21
Number of authorities with adult social care responsibilities	152	152	152	151	151
Number of authorities utilising some or all of the adult social care precept	144	147	148	85	151
Total amount raised through the adult social care precept (£ million)	382	552	538	200	497
Tax base for council tax setting purposes (millions)	17.052	17.380	17.687	17.972	18.232
Average Band D council tax attributable to adult social care precept (£)	22.39	31.77	30.41	11.15	27.27

6.13. All 151 authorities with Adult Social Care responsibilities utilised some or all their precept flexibility for 2020-21. The Adult Social Care precept flexibility in 2020-21 accounts for £27, or 1.5%, of the average Band D council tax bill. As outlined above, 83% of Bristol's households are classified as being in Band A to C and therefore a similar 1.5% increase would on average provide £20 annual contribution to Adult Social Care. This demonstrates the inequity in funding areas such as Adult Social Care in this manner as opposed to specific government funding based on need.

6.14. These discounts, exemptions and local schemes reduce the amount of Council Tax the Council can raise and the size of the tax base for Council Tax-setting purposes. Currently all increases or decreases to Council Tax, whether or not attributable to the schemes above, become the new baseline for increases for the following year and element of any top up / equalisation for councils to the nationally determined Core Spending Power (the money made available to local authorities through the Local Government Finance Settlement (LGFS)).

6.15. It should be noted that all levels of Council Tax increase or Social Care Precept will be subject to public consultation and approval by Council and that each 1% increase in core Council Tax or Precept generates c.£2.4 million additional income for core services.

Business Rates (National Non-Domestic Rates)

6.16. Local authorities have retained 50% of business rates real-terms changes in business rates revenue (growth) through the business rates retention scheme since 2013/14. The government's original intention was to reset local authority baselines (the target level of business rates it expects each local authority to collect each year) in 2020. In 2015, the government set out ambitions to allow local authorities to retain 100% of business rates growth by 2020 and several pilots were established.

6.17. The proposed legislation was abandoned, and the government scaled back reform ambitions to 75% retention, to be implemented by 2019/20. Since then, the deadline for implementing further retention and the reset of business rates baselines, alongside the wider reform of the distribution of funding through the Review of Relative Needs and Resources (the "Fair Funding Review"), was initially moved back to 2020/21, then to 2021/22 and then again to 2022/23.

6.18. One consequence of these repeated delays is that the actual levels of business rates collected by local authorities have become increasingly decoupled from their baselines (target levels), which were set in 2013. The forthcoming "reset" of the system could therefore see significant changes in baselines meaning, for those authorities whose rates are significantly above baseline levels, a sharp "cliff edge" reduction in funding.

6.19. Since 2017-18 aligned with the West of England (WoE) devolution deal, constituent Unitary Councils in the region have been piloting 100% business rates retention. The Spending Review 2020 confirmed that existing 100% business rates arrangements continued for a further year to 2021/22 for authorities in similar devolution arrangements. A strong local economy is core to the success of the scheme and aside from the positive social outcomes of a buoyant city, there are direct financial rewards under the rates retention system. It is therefore important that emphasis is placed on good growth in the city to achieve these dual aims.

6.20. The table below indicates that the growth is tapering and has been impacted by the pandemic. At the end of the current financial year, 100% business rate retention would have generated an additional £23.2 million for the Council, as summarised below.

Table 5 - 100% Business Rates Retention Pilot - Financial impact

Region	Outturn 2017/18	Outturn 2018/19	Outturn 2019/20	Outturn 2020/21	Forecast 2021/22	Total
	£m	£m	£m	£m	£m	£m
Bristol	6.565	4.643	4.750	3.727	3.519	23.204

6.21. The government is expected to make a final decision on the future of these arrangements beyond 2021/22 at the 2021 Spending Review alongside a consideration of the funding of Mayoral Combined Authorities. The pilots may therefore prove short-lived or could remain in place alongside a more general scheme of 75% retention across the rest of the country.

6.22. The pandemic had an enormous impact on business rates revenues. The government effectively underwrote a third of the business rates yield via rate reliefs and grant schemes which will have supported business viability and enabled many businesses not eligible for rates reliefs to continue paying rates bills. Despite this government business support, the Council is estimating £12 million (£10.6m in 2020/21) of business rates income loss in 2021/22 because of unavoidable business insolvencies, courts, and debt inactivity.

6.23. The position would have been far worse had the government not intervened in relation to the issue of businesses appealing their rates bills based on a Material Change of Circumstance (MCC) in the underlying value of property as a direct result of the pandemic. Many ratepayers – particularly in the office sector – had begun to lodge these types of appeal against the value of their property, which meant local authorities would have to make provisions in their accounts to cover potential losses of income that could have arisen. Government changed the legislation around pandemic related MCC appeals that ruled out these appeals prospectively and retrospectively.

6.24. This legislation did not however address the wider issue of appeals, which also presents a significant and growing risk to councils. Each business has the right to appeal the valuation of its premises and the grounds for many of these are such that the liability extends back before the new system was introduced. Each council has been required to raise a provision, which these potential costs can be charged against. For Bristol this is currently retained at between 4.7% each year of £11 million, which has served to reduce income, and needs to be increased should a material appeal be upheld via the Valuation Office Agency (VOA). The risk for all councils is whether the provision raised is enough to cover refunds (100% due to the BRR pilot), as they materialise and are backdated in some instances to 2017 or, in very few remaining cases to 2010.

6.25. Business Rateable Values were revalued from April 2017, resulting in further volatility in the system. The next revaluation will take effect in 2023. As part of the government's fundamental review of business rates, it previously consulted on delivering more frequent revaluations, setting out specific proposals to achieve a three-yearly cycle and how future appeals could be managed.

6.26. Note that under the business rates retention scheme, there is a levy and safety net system which contains a 'no detriment' clause protecting pilot councils from losing out relative to a situation where they had instead remained under 50% retention. Where business rates income is guaranteed at the safety net level for local authorities, under the safety net entitlement is calculated to be £116.2million for 2021/22, this would mean that based on current forecast of £133.7 million, the safety net mechanism will not be triggered before income losses reach £17.5 million.

6.27. The MTFP estimates that business rates income for 2022/23 will be £132.9 million. This estimate is predicated on reforms happening in 2023/24, with the local retention share decreasing from 100% to 75%, the business rates multiplier: 2.1% (assumption that in line with 2021/22, if the multiplier is frozen for 2022/23 instead of increasing in line with inflation, the Under-Indexing Multiplier Grant would be increased to ensure that local authorities' shares of income are not impacted), and 2021/22 deficit of £8 million assuming 50% recovery.

6.28. The position remains very uncertain in 2022/23 and the Council is carrying significant risks in relation to business rates. With no tax income guarantee scheme in place, business support grants and the Coronavirus Job Retention Scheme ended, business rates income is very unlikely to bounce back to previous levels. With this level of inbuilt systematic uncertainty about the future of the tax and risks, it is imperative that the

reforms simplify the system, make it more supportive of local high streets and provide a stable and predictable funding source for local government.

Collection Fund Surplus / Deficit

6.29. Collection fund 2021/22 local tax income losses was £12.4 million. The government announced that the repayment of collection fund deficits arising in 2020/21 could be spread over 3 years rather than the usual period of payment in full in the subsequent year. Regulation was passed in Parliament to implement the collection fund deficit phasing which came into force on 1 December 2020. In addition, a local tax income guarantee scheme was introduced that compensated councils for 75% of losses once deemed irrecoverable in council tax and business rates income in respect of 2020/21. Due to the methodology for calculating irrecoverable losses this only resulted in £1.4 million compensation in 2021/22 for the Council's 2020/21 losses.

6.30. No indication has been provided as to the continuation of either of these support mechanisms for 2021/22 losses and as a result this is not factored into the Council's financial outlook.

6.31. The losses forecasted from 2021/22 will impact on the 2022/23 budget and whilst a varying blend of losses between Council Tax and business rates have been experienced, with the inclusion of negative base position of £3.9 million spread over the 3 years from 2020/21 loses, the net figure for carry forward for 2022/23 is similarly estimated to be in the region of £12.4 million.

New Homes Bonus

6.32. MHCLG (now the Department for Levelling Up, Housing & Communities (DLUHC)) consulted earlier in the year on the future of the New Homes Bonus from 2022/23 onwards. The consultation covered several options for reforming the programme to provide an incentive which is more focused and targeted on ambitious housing delivery and dovetailed with the wider financial mechanisms, including the infrastructure levy and the Single Housing Infrastructure Fund. The options on which views were sought are*:*

- raising the baseline percentage
- rewarding improvement on average past housing growth
- rewarding improvement or high housing growth
- support infrastructure investment in areas with low land values
- introducing a premium for modern methods of construction (MMC)
- introducing an MMC condition on receipt of funding
- requiring an up-to-date local plan

6.33. It is unclear how the government will incentivise local authorities to deliver additional housing within the new funding regime. In addition, government departmental efficiencies are also being sought in the spending round which can often impact on the availability of one-off grants. As a result, there is a potential for the New Homes Bonus funding to be wrapped up within the Fair Funding Review in following years. Details are expected to be outlined in the SR21 / Autumn Budget.

6.34. Given the uncertainty in relation to the above, the assumption in the outlook is that the New Homes Bonus funding for 2022/23 would be £1.4 million, reflecting one remaining legacy year only.

Social Care Grants

6.35. In response to the funding pressures on social care services, a series of announcements committing additional short-term, one off ring-fenced funding for social care was made and incorporated within the Council's budgets.

6.36. In Spending Review 2020 (SR20), the government set out the funding that would be provided for social care in 2021/22 and this comprised of the following:

- The rolling-over of existing social care grants of £2.1 billion to local authorities through the improved Better Care Fund.
- Continuation of additional Spending Round 2019 £1 billion grant for adult and children's social care (with local authorities to determine how to split their allocation between the two) and that would continue for every year of the current parliament.
- An additional one-off grant of £300 million for adult and children's social care for 2020/21 only.

6.37. The totality of these funds for the Council in 2022/23 as announced is £28.2 million. Whilst the additional grant announced for 2021/22 was for one year only, the MTFP assumes that the total grant will be carried forward and baselined into 2022/23. In addition to the above the planning assumption is that the Improved Better Care Fund will be uplifted by c.5% mirroring the inflationary increase to the CCG. These minor changes are expected to increase the social care funding for 2022/23 at £31.2 million a marginal uplift of 3% (£30.3m 2021/22) on the prior year.

6.38. The potential to generate further local funding from a Social Care Precept or the Health and Social Care Levy has been addressed in the earlier section of this report and as such not repeated here. A long-term sustainable funding strategy is required that addresses the existing challenges of the social care system and these funding solutions and reforms should be considered prior to generating new burdens.

New local Government Grant Funding

6.39. The Spending Review provided a better than anticipated allocation for local government, incorporating a mixture of new and historic announcements. Much of the funding outlined is profiled to later years, creates a new burden as opposed to addressing existing challenges or may be accessed via competitive bidding processes. The net estimated impact of the funding streams that will contribute to additional core income is £12.9 million as set out in the table below.

Table 6: Spending Review - Bristol Impact on the MTFP Funding Assumptions

Spending Review 2021 and Autumn Budget – Bristol Budget Impact				
Headline	Description	SR21 / Budget	Note	Est. Bristol 2022/23
		£m		£m
CORE FUNDING				
New Core Grant Funding £4.8bn:				
£4.5bn Core Settlement Funding	Social care and other services - Source for public sector compensation for employer costs of HSCL/NICs	£1,500.000		£12.000
£200m Supporting Families programme	Supporting Families programme - to families facing multiple interconnected issues (e.g. Troubled Families programme)	£40.000	Already Assumed	
£37.8m Cyber security	Tackle cyber security challenges facing councils and invest in local authority cyber resilience	£12.000	New Burden	
£34.5m local delivery and transparency	Meet new transparency requirements, Audit , Reporting and Governance	TBC	New Burden	
21/22- Additional Social Care £300m	SR20 Announced as one-off - DLUHC confirmed decisions on its retention / allocation part of provisional settlement.	TBC		£0.956
Total				£12.956

6.40. Further clarity is required on the allocation methodology to be utilised for new funding areas and details will be subject to wider consultations. Information is still awaited in relation to core funding streams such as 100% Business Rates Retention Pilot, New Homes Bonus and any further increases to the High Needs funding within the £4.7 billion education core funding.

6.41. The Department for Levelling Up, Housing and Communities (DLUHC) will publish the provisional Local Government Finance Settlement for 2022/23 by mid December 2021, with the aim to ensure that councils have the information they need for budget planning and the deployment of resources.

Covid-19 Grants and Compensation Schemes

6.42. The pandemic had a significant impact on the Council's finances and as at period 6 it is anticipated that it will peak at £47.3 million. for 2021/22 (£74.7m 20/21). This is expected to be fully met by a combination of Covid-19 response and recovery grants, sales, fees and charges income compensation schemes and other funds earmarked in the budget for this purpose.

6.43. The impact of Covid-19 will be with us for some time and the Council does not expect its finances to return to pre-pandemic levels until 2024–25 at the earliest. The pressures associated with supporting the most vulnerable in the community continue and the forecast loss of service income such as parking, parks, museums, licencing, libraries, events, and commercial property rental income is also ongoing. These details are covered in more detail in the service specific financial pressures and opportunity section of this report.

6.44. Whilst government has supported a proportion of fees and charges income in 2021/22 (75% of 95% of income loss on qualifying streams for two quarters to date), it is unlikely that any further support in this manner will continue in 2022/23 as support mechanisms are unwound. At this stage no additional specific Covid-19 response and recovery grant or compensation schemes for local government have been announced or reflected in the MTFP planning assumptions.

6.45. In addition, certain commercial income streams were not supported, and it is expected that commercial property rental income will also continue to experience losses. Government will make a judgement on the sustainability of the local government sector in the assessment of funding needs in the spending review.

New Burden and Demand Contingencies

6.46. Within our planning assumption a level of Covid-19 new burden cost pressures had been estimated of £10.5 million and held in abeyance for 2022/23. This is included under the revised financial outlook and took into consideration the cost associated with social care and future demographic changes, new and on-going Covid-19 cost pressures such as home to school transport, PPE and social distancing.

Ring Fenced Funds – Indicative Funding Available

Public Health (PH) Grant

6.47. Public health services are critical for preventing disease, reducing health inequalities and improving the population's health. The Public Health service and role has been critical in the local response to the pandemic, helping to reduce the spread of Covid-19 while seeking to keep people healthy and well.

6.48. The public health ringfenced grant to the Council for 2021/22 was £33.6 million and represented an increase of 1.5% in comparison to the prior year (£33.1m 20/21). The grant included an additional amount to cover the costs of routine pre-exposure prophylaxis (PrEP) commissioning with bespoke distribution of £278,134 for Bristol.

6.49. In addition to the main Public Health Grant, government provided further Covid-19 funding directly to public health to support the local outbreak management. The most significant is Test & Trace Outbreak Management Fund (T&TOMF) and Contain Outbreak Management Fund (COMF), equating to £18.2 million (£3.0m and £15.2m respectively).

6.50. The T&TOMF/COMF remain ring-fenced for public health purposes to tackle Covid-19, working to break the chain of transmission and protecting the most vulnerable. While the specific public health activities that can be funded are subject to the judgement of the respective Director: Public Health, the policy provides a list of activities (as a guide) that funding may be used for and the grant is expected to be fully expended (or returned) by 31 March 2022. The Council anticipates that this fund will be fully spent, and further announcements are awaited as to how this area of new responsibilities will be funded in a sustainable manner into the future.

6.51. The Council is hopeful for an earlier than mid-March announcement to facilitate effective planning for 2022/23. At this stage it is expected that the grant is likely to see a small below inflation uplift and new burdens to be contained, given the role public health plays in helping to relieve pressure on other services like the NHS and the criminal justice system and the need to relieve the pressures that are also mounting within statutory public health services nationally. The grant is likely to continue to be subject to conditions, including a ring-fence requiring local authorities to use the grant exclusively for public health activity which may include public health challenges arising directly or indirectly from Covid-19.

6.52. Within the Council's earmarked reserve is a Public Health ring fenced reserve of £4.0 million as at 1 April 2021. This will be assumed in the plans to be developed over the medium term and provide a small buffer for unexpected adverse grant allocations.

Dedicated Schools Grant (DSG)

6.53. The Dedicated Schools Grant comprises four blocks: Schools, High Needs, Central School Services and Early Years. 2022/23 will be the fifth year of the National Funding Formula for schools, high needs and central school services. The early year's block of the DSG is determined by the separate national formula for early years.

6.54. In July 2021 the ESFA released indicative funding allocations for 2022/23. Final allocations and high needs block allocations will be published in December and we estimate that the likely level of funding for Bristol in 2022/23 will be £380.7 million (excluding early years block).

6.55. The provisional Schools Block allocation for Bristol is outlined in the table below and it is important to note that the indicative figures provided ignore any changes in pupil numbers and characteristics and reflects the indicative allocations before any movements between blocks

Table 7: DSG - Indicative Available Funding and prior year Comparator

DSG - Indicative and Comparative Allocations	Total: 2021/22 DSG Allocation	Indicative 2022/23 DSG Allocation	Indicative 2022/23 Change	
	£m	£m	£m	%
Schools Block (excl. growth allocations)	292.600	302.800	10.200	3.49%
Central School Services Block	2.800	2.700	-0.100	-3.57%
High Needs Block	68.500	75.200	6.700	9.78%
Total	363.900	380.700	16.800	4.62%
Early Years Block	37.200	No data		-

6.56. The underpinning assumptions in relation to each of the funding blocks is as follows:

- The Schools Block will be calculated using National Funding Formula (NFF). The ESFA has indicated an average 3.2% increase in school block funding, with 2.8% of this increase directed via the pupil-led factors. The provisional 2022/23 figure for Bristol is £302.8 million (before growth allocation). The equivalent figure in 2021/22 was £292.6 million, representing an increase of 3.5% overall. Minimum per-pupil funding continues to be a mandatory factor in the local formula. For 2022/23 these will be set at £4,265 for primary schools and £5,525 for secondary schools. These changes will be built into the Council's funding formula. Presently in 2021/22, based on current pupil numbers there are 26 primary schools and 1 secondary school in Bristol that are funded below these levels. Until the final funding settlement, pupil numbers and characteristics are available, the number of schools that will be below the minimum per-pupil levels and require increased financial allocation from this mechanism cannot be determined.
- The Minimum Funding Guarantee (MFG) is a protection for schools against significant year-on-year changes in pupil-led funding and must be set at between +0.5% and +2%. An MFG of +0.5% was applied for 2021/22. Schools are consulted and the Schools Forum, after consideration of the feedback, will need to discuss and agree what MFG rate is set for 2022/23.
- Funding previously provided via the teachers' pay grant and teachers' pensions employer contributions grant were incorporated into the School Block funding (for mainstream schools), and into the High Needs Block (for special schools) in 2021/22 and this approach continues for 2022/23.

- Block Transfers - local authorities will continue to be able to transfer up to 0.5% of their school's block to other blocks of the DSG, with Schools Forum approval. In 2021/2022 0.5% was transferred from the school's block to high needs block, providing £1.4 million, ring-fenced to support the Education Transformation Programme. If up to 0.5% of the indicative schools block is transferred for 2022/23 this would equate to £1.5 million.

- The High Needs Block allocations to individual LAs will rise by at least 8%, with a national average rise of 9.6%. The indicative allocation to Bristol is £75.2 million, an indicative increase of £6.7 million (9.8%) over 2021/22's allocation of £68.5 million. This needs to be considered in the context that high needs block is experiencing cost pressures in excess of funding, of c.£15 million and carrying a forecast accumulated deficit at the end of 2021/22 of c.£27 million.
- Developing and sustaining effective local system-level approaches to supporting children and young people with SEND is essential. The Education Transformation Programme is working with partners to develop the necessary steps to provide the right level of support, meet needs, ensure effective use of local resources and achieve good long-term outcomes for children and young people with SEND, in what is considered a highly challenging context.
- The Council will need to consider the resourcing of related areas within the General Fund, such as increase in levels of statutory assessments and transport and cannot transfer funding into the DSG without ministerial approval. If up to 0.5% of the indicative schools block is transferred for 2022/23 this would equate to £1.5 million, to contribute to the continuation of the programme over the medium term. Transferring more than 0.5% of the schools block or any funding from the General Fund would require Secretary of State approval.

- Funding for Early Years Block continues to be paid separately from the EYNFF in 2021/22 and we expect this to remain the approach in 2022/23. No indicative allocations have been released for Early Years funding, however the ESFA has announced it intends to resume calculating funding at the January census point, and provider allocations at the three termly census points.
- The early years sector is experiencing significant funding pressures which if not addressed will impact on their capacity to support the most vulnerable children and potential missed early intervention opportunities. Lack of adequate funding for the sector will have knock-on effects for primary and special schools as children move on to the next phase.

- The Central School Services Block provides funding for the statutory duties the Council holds for both maintained schools and academies. The Council must seek Schools Forum approval for central services spend. The 2022/23 allocation has been indicated at £2.7 million. This is a 3.5% decrease on the prior year allocation (£2.8m 21/22). The reduction is primarily attributed to the funding for historic commitments (such as for the Prudential Borrowing initiative that ceased in 2017/18) where it has been an aim of ESFA to withdraw this funding over time.

6.57. In all the above examples we have assumed no changes in pupil numbers or composition. A consultation is underway with schools and the outcome will be reported to the Schools Forum. The final authority proforma tool (APT) containing the actual figures and basis for 2022/23 funding is expected to be issued in December 2021.

DSG Deficit Management

6.58. The Council is forecasting a deficit of £14.6 million as at period 6 in the overarching DSG (which includes the balances for all four blocks) and carrying a forecast accumulated net DSG deficit at the end of 2021/22 of £24.6 million.

6.59. The government recognises that this is a national issue and over recent years significant pressures on high needs budgets have resulted in many local authorities accruing deficits on their DSG. The right response to tackling this is a multi-faceted approach which looks to the heart of the issues and the Council is seeking to achieving this with the Education Transformation Programme.

6.60. The Department for Education's Statutory Instrument (SI) in relation to DSG deficits became law in November 2020 and states the following:
Where a local authority has a deficit in respect of its school's budget for a financial year beginning on 1st April 2020, 1st April 2021 or 1st April 2022, the authority:

(a) must not charge to a revenue account an amount in respect of that deficit; and
(b) must charge the amount of the deficit to an account established, charged and used solely for the purpose of recognising deficits in respect of its school's budget.

6.61. This in essence means that a SI is in place until 2022/23, amending the current accounting regulations to allow all DSG deficits carried over for the term of the override to be moved to an unusable reserve which will record deficits until such time as the override expires (following 2022/23).

6.62. If there is a surplus on the DSG over this period, this should not be taken to the unusable reserve but should be held from a budgetary perspective as a ring-fenced reserve in the usual manner. DSG deficits can no longer be paid off from General Funds without requesting permission from the Secretary of State, and the DfE will work with authorities to enable them to pay off their deficits from within DSG funds (generally within 3 - 5 years).

6.63. A Deficit Management Plan is required which will continue to prioritise the work needed to reduce the deficit. There is no statutory undertaking to underwrite this deficit and currently no arrangements in place to extend the SI beyond 2022/23 Therefore as it stands, local authorities will need to demonstrate their ability to cover DSG deficits from their available reserves from 2023-24 onwards.

6.64. Current forecasts show the projected DSG funding gap to be £15 million per year equivalent to 20% of estimated annual government funding of £75.2 million for 2022/23. Consequentially the associated level of accumulated deficit will be approaching £36 million (c.50% of annual funding). The projected deficit over the period 2020 to 2023, as a percent of high needs, overall DSG and general reserve, if current trends in demand and funding continue, is shown in the table below.

Table 8: DSG Deficit Trends

DSG DEFICIT	Actual	Actual	Forecast Period 6	Forecast
	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Net DSG Deficit	2.893	10.005	24.577	35.758
High Needs Block Allocations	53.930	61.834	68.500	75.200
DSG Budget *	200.000	388.788	401.100	418.644
General Fund Reserve	23.258	20.000	35.000	40.000
Net DSG Deficit % of High Needs Block	5.4%	16.2%	35.9%	47.6%
Net DSG Deficit % of DSG Budget	1.4%	2.6%	6.1%	8.5%
Net DSG Deficit % of GF Reserve	12.4%	50.0%	70.2%	89.4%
* Early years element for 2022/23 is based on 2021/22 allocation uplifted by 2%				

6.65. The SEND review is considering improvements to make sure the SEND system is consistent, high quality, integrated and financially sustainable for the future. Nevertheless, all local authorities must take responsibility for effective management of their high needs systems in the short term.

Housing Revenue Account (HRA)

6.66. The Housing Revenue Account (HRA) activities are a key element in delivering the Council's priorities in the Corporate Strategy. The key areas of expenditure are the delivery of housing management services plus repairing, maintaining and improving the existing stock. Provision is made to ensure compliance with legislation and national policy, including meeting decent homes standards, building and safety regulations. This ensures that our homes are safe, warm and secure.

6.67. The HRA includes all expenditure and income incurred in managing the Council's housing (circa 28,000) and, in accordance with government legislation, operates as a ringfenced account with a 30-year business plan. This means that the HRA does not receive any subsidy from the government or from Council Tax. The legislation sets out those items that can be charged to the HRA and it is not allowed to subsidise the General Fund.

6.68. The HRA is required to be self-financing over time with demonstrable sufficient resources to meet future operational commitments, any potential financial pressures or risks identified and approved investment plans. Surpluses or deficits generated in each year will be transferred to / from the HRA general reserve.

6.69. The forecasted dwelling rental charges and other income is estimated to generate £122.1 million in 2021/22 for the delivery of HRA activity.

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

6.71. Based on CPI inflation rate of 3.1% in September 2021 and dwelling rents and voids at period 6 2021/22, the indicative high-level impact of a rent uplift of 4.1%, is forecast to be a net increase in rent in the region of £4.6 million pa. This may be subject to some

variation once stock adjustments are considered.

6.72. The Council has a responsibility to prioritise resources to deliver the Housing Investment Plan, ensuring that capital investment in existing stock can be delivered. In addition, there is a new homes delivery programme, to build or acquire new homes. This mitigates the impact of declining stock numbers, with homes lost through the Right to Buy. Any plans to improve services, increasing investment levels in homes, communal areas, blocks, or estates must be affordable.

6.73. The HRA cannot budget for a deficit. Variations in the rental income stream and decisions regarding annual rent setting impact on the level of resourcing available. The impact of Covid-19 has increased current arrears, and therefore the risk of bad debt. It is likely that an increased bad debt provision will be needed in 2021/22 to manage this risk, and the Council will continue to recover as much of the arrears as possible. As the impact of Covid-19 will continue into 2022/23, a similarly prudent bad debt provision will need to be considered. In addition, trends indicate that there are likely to be cost increases for insurance, business rates and council tax on empty properties.

6.74. The opening balance on the HRA reserve on 1 April 2021 was £109.7 million and at Period 6 an underspend of £1.0 million has been forecasted in the revenue account. The HRA reserve is intended to support delivery of the 30-year business planned capital programme. In addition to the reserve the Council can make use of a blended financing model, for example this could include grants, borrowing, developer contributions, capital and RTB receipts, revenue contributions to capital outlay (RCCO). This is not an exhaustive list, and not all of these funding sources will be eligible for the expenditure items.

6.75. The funding will be appropriately risk assessed and based on affordability, sustainability and optimisation of resources, profiled to the programmes within the plan. A minimum balance must be retained in the HRA reserve to cover at least 1 year's interest cost and a clear strategy outlined in approved plans for repaying borrowing above the level of the historic HRA debt cap.

7. Emerging Financial Pressures

In year budget pressures 2021/22 as at Period 6

7.1. At Period 6 2021/22, the Council is forecasting a £25.8 million (6%) overspend against the approved General Fund budget (£424.07m). This figure is net off Covid-19 funding directly allocated to service budgets. The total forecast expenditure against the covid grant is expected to be £47.3 million. The majority of which is directly attributed to the ongoing impact of Covid-19 on social care, homelessness, income losses and embedded undelivered savings. Where appropriate, Covid-19 recovery funding will be applied, and mitigations will continue to be explored including collaboration with partners to identify mechanisms to manage the challenges and improve outcomes. As at period 6 no unmitigated pressures are assumed within the general fund.

7.2. The current forecast of the year end revenue position, for the ringfenced accounts at period 6 is a £14.5 million overspend for DSG (3.7%), £1.0 million underspend for the HRA (0.8%), and a balanced position is currently reported in the Public Heath grant.

Emerging Pressures

7.3. The review undertaken to inform the MTP refresh has indicated a range of emerging general fund pressures which are presenting challenges which cannot be readily contained within existing resources or mitigated without additional funding or broader transformational interventions. The emerging pressures over the next planning period total £45.4 million and are broken down in the table below.

Table 9: Emerging Pressures

Emerging Pressures Medium (Base) Case	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m
Total Service Pressures	35.104	30.073	29.461	28.641	28.995
Savings at Risks	2.400	2.400	2.400	2.400	2.400
General Contract Inflation	3.200	5.400	5.400	5.400	5.400
Health & Social Care Levy - NIC	2.250	2.250	2.250	2.250	2.250
New Priority Investments / Reserves	2.500	-	-	-	-
TOTAL EMERGING PRESSURES	45.454	40.123	39.511	38.691	39.045

7.4. The underpinning assumptions in relation to each of the categories of emerging pressures are outlined in the subsequent sections.

Service Pressures

Emerging Pressures Adult Social Care

7.5. As the Covid-19 pandemic continues, Adult Social Care has seen a significant increase in demand for services (particularly for those aged 18-64) and increased costs of packages of care. The number of people contacting Adult Social Care has increased by 10% in the last 12 months compared directly with the previous 12 months.

7.6. The major areas of service pressure continue to be:

- Adults with long term conditions (aged 18-64), which is forecasting a potential overspend of £10.3 million mainly relating to an increase in the number of people supported partly driven by the effects of Covid-19 (see details below in relation to mental health and learning difficulties), forecast pressures in residential and nursing placements, and accommodation-based support costs. The number of 18-64 service users coming into Tier 3 services has been growing year on year since 2018 with a 27% increase in people being supported. This trend has accelerated as a result of Covid-19.

- Older people with a forecast overspend of £3.4 million relating to residential and nursing home cost pressures. Whilst the number of older people supported has reduced the average unit cost price and size of home care package has increased.

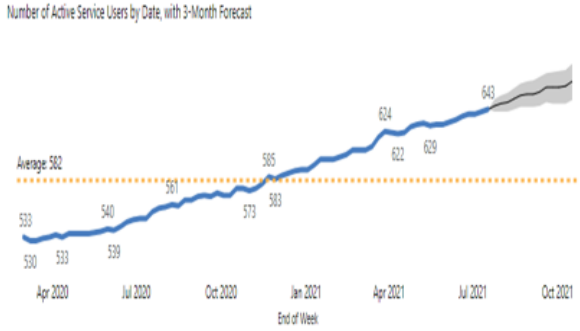
7.7. Covid-19 has had a significant impact in relation to mental health services where there has been a surge in demand and increases in the average unit cost. This reflects an ongoing trend from 2020/21, with estimated additional cost pressure of £4.2 million in relation to Covid-19.

Figure 4: Mental Health Growth

18-64 Impact

Mental Health

- 110 additional service users (21% growth on the starting figure of 533 SUs)
- £26 increase in average unit price for MH SUs
- 25.8% change estimated full year effect £4.2m (before income)



Care Type	Service Users Start of Period	Service Users End of Period	Actual Change in Service Users
Nursing	18	16	-2
Residential	89	93	4
Extra Care Housing	8	11	3
Supported Accom	234	268	34
Supported Living	124	197	73
Homecare	34	43	9
Shared Lives	1	1	0
Direct Payments	41	44	3
Day Services	13	14	1
Total	**533**	**643**	**110**

7.8. Demand and cost pressures are evident in learning difficulty services particularly in relation to supported accommodation costs indicating ongoing cost pressures of c.£3.1 million.

7.9. Significant market pressures are being experienced by social care providers in relation to financial and business sustainability and workforce challenges, as they try to recruit and retain sufficient volume of workforce to meet demand, which has increased due to the impact of Covid-19. This is particularly challenging in relation to home care as we approach the winter period and the service tries to secure capacity to facilitate timely hospital discharges.

Emerging Pressures Children and Families

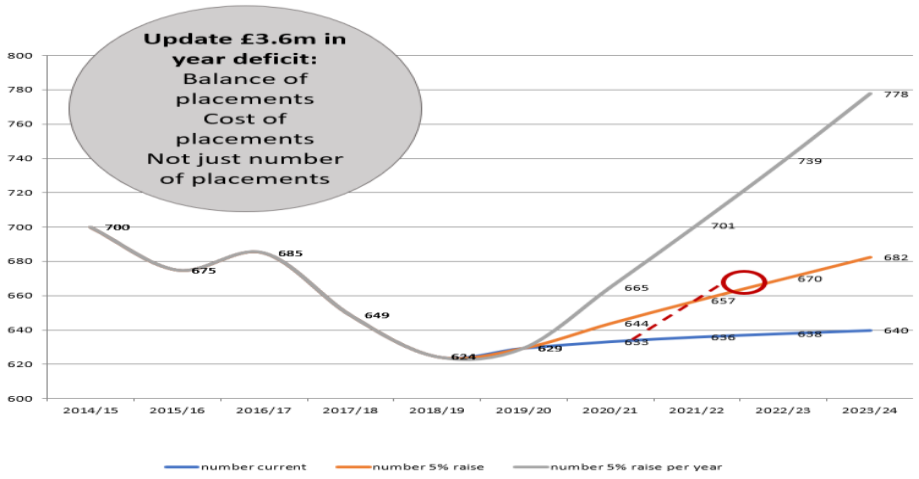
7.10. Across Children's Services, there are escalating levels of serious youth violence and extra-familial risk, including gang affiliation, criminal exploitation and abuse. This alongside a growing child population and improved intelligence and awareness of serious violence and complex safeguarding demands, is a growing need across the city.

7.11. Increasing pressure has weakened community links and extended family networks. Court delays and financial hardship for families post Covid-19 has added extra cost pressure to the 2021/22 budget, which is currently estimated to overspend by £6.4 million as at period 6 (partially offset by one-off Covid-19 grant funding) and is expected to be ongoing into 2022/23.

7.12. Volatility and complexities in the market post Covid-19 such as reduced sufficiency as carers become fatigued, increased family breakdown for teenagers and presentations to youth prevention and accommodation services, increasing risk and number of children with mental health and self-injurious behaviour etc. is anticipated to continue to create additional cost pressure to the service in the short term, not to mention post Covid-19 cost increases from providers in response to supply / demand (there's been a national increase in care numbers).

7.13. Ongoing cost pressure will range from £4 million to £8.8 million (modelling based on 5% increase)

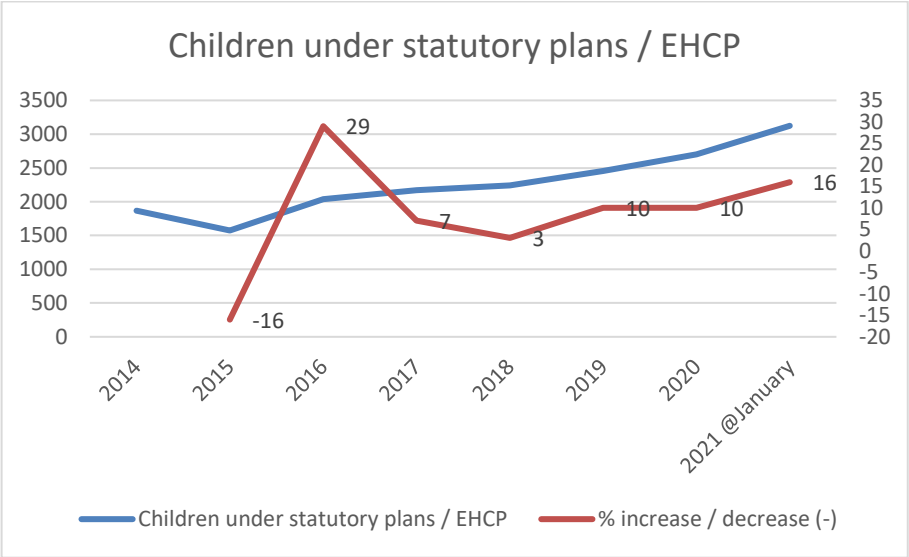
Figure 5: Children Social Care Placement Growth



General Fund - Special Education (SEND)

7.14. Tackling the pressures facing the High Needs budget and more broadly the delivery of Special Educational Needs and Disabilities (SEND) services is one of our biggest challenges and requires a whole system response. In Bristol there is an increasing trend of higher than national average pupils receiving Special Educational Need (SEN) support or who have an Education Health & Care Plan (EHCP).

Figure 6 – Increase in Children Under Statutory Plans



7.15. The underlying position for High Needs is that the difference between the current level of spending and the pure High Needs DSG allocation has created a budget shortfall of £10 million in 2020/21 and is estimated to further deteriorate in 2021/22 as the cumulative DSG budget gap is estimated to be over £24 million at the end of 2021/22.

7.16. In October 2019, Bristol failed its Ofsted / Care Quality Commission (CQC) Inspection. Funding will need to be identified from a range of sources within the various budgets to enable continuation of investments to be made in responding to the immediate

challenges and resourcing of the improvement programme to address the recommendations identified in the inspection report; without putting vulnerable children at risk, which is our statutory responsibility.

7.17. The current DSG allocation is insufficient to meet rising need and does not reflect the associated statutory requirements reflected within the general fund. Demand is a whole system issue and below are a few examples of areas of pressure:

- Demand concerning statement to EHCP transfer process
- Demand for health assessments
- Demand for local specialist provision in excess of capacity
- Demand for inclusion service support
- Demand for specialist services including statutory and non-statutory EP services
- Demand for SEHM support in schools
- Transport demand due to rise in SEN assessment and children having to travel further as a result of unavailability of local placements.

Emerging Pressures Growth & Regeneration
Homelessness

7.18. The impact of the pandemic has increased homelessness in Bristol. The number of households in temporary accommodation is 40% higher than before the pandemic. This has created an overspend due to the increase in Housing Benefit subsidy loss.

7.19. Over 1,600 people were placed in temporary accommodation during ‘Everyone In’. MHCLG funding for Everyone In has ended and temporary accommodation budgets have not increased for several years. While approximately 900 people have been moved on into settled accommodation, the average number of households in temporary accommodation is approximately 930.

7.20. The pressure in 2022/23 is forecast to remain at its current level of £2.3 million, which is 40% higher than pre-Covid-19 times. This shortfall may increase or decrease subject to the final allocation of Prevention Grant for 2022/23.

Covid Income Loss

7.21. Following directives from central government, the City Transport Service introduced several changes to the Highway Network at the early stages of the Covid-19 pandemic to maximise the potential for citizens to walk and cycle safely and to improve social distancing. As a result, a significant number of parking bays were temporarily suspended to create traffic free environments or to install cycle lanes and widen pavements.

7.22. Most of these temporary schemes are now progressing and will become permanent. The initial measures had no significant impact on parking income due to the massively reduced demand during lockdown. However, the city is now emerging from that period and the demand for parking is increasing daily.

7.23. It is anticipated that by the beginning of 22-23 financial year, parking will have recovered sufficiently that the lost parking bays will have a significant impact on the amount of Pay and Display income that can be earned. While each scheme varies in impact the collective permanent loss of 220 on street parking bays (the majority of which are in the

Controlled Parking Zone in the city centre, but also include Bedminster East, Clifton Village & Cotham RPS) will have a significant impact.

7.24. In 2019-20 these parking bays generated c.£610,000 of parking income, and this is the estimated loss that is being flagged as an emerging pressure for 2022/23.

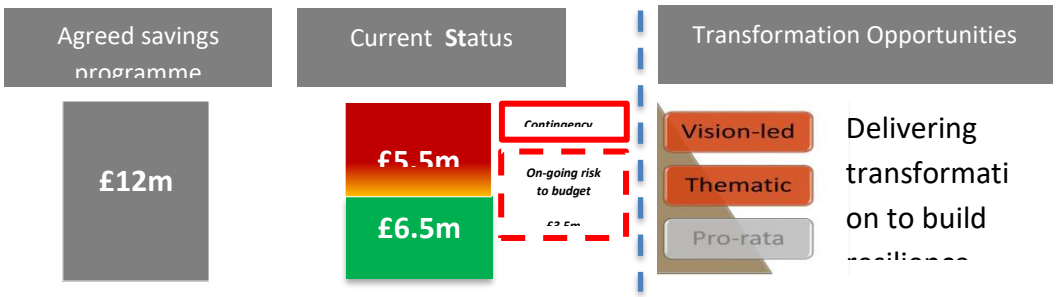
Savings at Risk

7.25. The savings programme agreed by Council in 2021 included savings totalling £7.7 million. In addition, £4.3 million of savings were carried forward from prior years which still require delivery. The total savings delivery target is £12.1 million, of which £11.7m is attributed to 2021/22.

7.26. It is currently assessed that £6.4m of these targeted savings are at risk of not being delivered in the planned way and included in this figure £5.5m do not currently have a mitigation plan. Covid-19 has been a significant contributing cause. The current gap in savings programme delivery is largely attributed to adult and children's social care and are currently reported either within service forecasts or within risk and opportunity registers.

7.27. Whilst the Council created a savings contingency of £2.0 million for variation and non-delivery of savings which were in their infancy and can be applied to this pressure, a residual gap of £3.5 million will exist. The initial assessment of these savings and potential mitigations indicates that at least £2.4 million will present a risk for future years and may need to be addressed in the 2022/23 budget setting process.

Figure 7: Illustration of Planned Transformation Delivery



Corporate Expenditure
General Contract Inflation

7.28. Services are expected to absorb annual inflationary pressures within existing budgets and a corporate in inflation budget of c.£5 million has been included in each year, to allow for material contractual inflationary cost pressures which can't be managed within a service. The Council is not immune to the national challenges outlined with supply chain disruption, staff shortages, energy and wider economic conditions all contributing to significant pricing increases.

7.29. A net corporate uplift is forecasted of £3.2 million to mitigate the impact of these material real term increases and adopt a clear strategy to ensure best value continues to be achieved, in these arrangements.

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

Pension Changes

7.31. The decisions of the Court of Appeal in the Sargeant/ McCloud cases (generally referred to for the LGPS as “McCloud”) have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. Although there will be an impact on the LGPS, at this stage it is not possible to fully quantify this. The Council’s Pension Fund Manager, Mercer, has carried out some initial costings of the potential effect of McCloud for the last triennial review in 2019, and the results indicate additional past services liabilities of c.£12.7 million, and additional projected service cost for the year commencing 1 April 2022 of c.£1.2m (equivalent to c.0.6% of the current active membership payroll).

7.32. The full effect of the judgement is not due to come into place until April 2023. The Fund is currently carrying out the next pension triennial review, effective from 1 April 2023.

Capital Financing

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

7.34. The maximum affordable level established for the cost of capital financing for the General Fund element of the capital programme, is 10% of general fund net revenue budget over the medium to long term. The current forecast level of the programme is 9.4% by 2025/26. If the Council opted to utilise this headroom of 10%, this would equate to an extra £40 million of borrowing with an estimated capital financing revenue budget cost of £2.4 million.

7.35. In reflecting on the capital trends and revenue forecast, the Council is proposing to reduce the investment in its capital programme activity for 2022/23 to 2026/27 to more accurately reflect the level of work it has capacity to deliver. In recent years the average annual programme, prior to the addition of slippage from the previous year, has been budgeted at around £260m. Within the same time frame, the Council has only had capacity to deliver an annual programme of no greater than £150m.

7.36. With increase capital delivery capacity in 2021/22 the budget allocated to the programme was £321.4m (including schemes carried forward from prior year) and the forecast outturn as at period 6 is £271.6m. A more accurate capital programme profile will ensure that the budget required to finance the capital (interest & debt repayment) will reflect the Council’s performance rather than an aspirational delivery position. It is therefore not anticipated the general fund borrowing headroom will be utilised. The Council may identify other funding sources, including grants and capital receipts, to finance additional capital expenditure and the MTFP also assumes that the Council will continue the use the flexibility provided by government to use capital receipts to fund the revenue cost of transformation.

7.37. Feasibility fund is assumed in the capital strategy to assist in developing schemes with sufficient robustness/certainty before they enter the Development Pool. The fund is

anticipated to be created from any reduction generated in the current capital financing budget and therefore the level of the fund would be established each year, and be aligned to the volume and complexity of schemes at full mandate stage.

Health and Social Care Levy - Employer National Insurance Contribution

7.38. The health and social care levy will be a 1.25% tax on earnings for employees, the self-employed and employers. For the Council this liability is expected to be c.£2.2 million. The government indicated that it will compensate departments for the extra cost for public sector employers because it is effectively the public sector paying tax to itself. Following the Spending Review and Autumn budget it has become clear that the compensation is incorporated within the new government grant outlined above and therefore the associated costs is now incorporated within the MTFP pressures.

New Priority Investments / Reserves

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

7.40. As with the 2021/22 budget any update of the MTFP needs to be cognisant of the legacy impact of the pandemic and the need to maintain the integrity of the Council's financial position and future sustainability, to support our communities.

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

7.42. One of the aims of the MTFP will be to deliver budgets over the medium term period that shifts our existing spend towards the priorities outlined in the strategy. In the current climate a phased approach may need to be adopted to ensure services are sustainable and can plan appropriately for change.

7.43. The transition can begin by several means and examples via several means, including:

- Articulation of the vision with key local regional and sub-regional partners, with government and incorporate within our bids for external funding
- Collaboration with partners in the pursuit of mutual advantage
- Provide the platform for leveraging the experience and capability and allowing community and private sector to deliver for local government, and vice versa
- Aligning the service and budget planning timetables, as well as aligning finance and performance reporting.
- Change Programme and delivery resource: enhancing the investment in the transformation delivery to prioritise project resource that can respond to the major challenges and opportunities that the Council will face through the period of this plan
- Establish via our annual budget processes the feasibility fund and advance scheme design as outlined in the Capital Strategy for scheme development

- Utilisation of specified earmarked reserves such as climate and ecological reserves to pilot prototype or develop new and innovative approaches.

7.44. A growth fund or earmarked reserve of £2.5 million is assumed to support areas such as the completion of the City Leap, procurement & set up and replenishment of the Council's legal reserve.

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

National and Regional Monitoring / Government Lobbying

7.46. Monitoring of national policy developments alongside any local sector specific announcements will be a key requirement in constructing the budget for 2022/23. The Spending Review has provided the initial indication of the quantum of funding for the sector. However, some certainty of the timescale for several key reforms are still required. This should include those associated with the Fair Funding Review, SEND Reforms and 75% business rates retention.

7.47. In addition to the above close review is required to the distribution methodologies that will follow and for the basis of the Local Government Finance Settlement. The Council will continue to encourage the government to develop needs led formulas, enable local flexibility, ensure fully funded new burdens and provide the resources to support our citizens and businesses to manage with the pandemic. For local government this continues into the medium term and is evidenced by the government's comprehensive package of support towards 2020/21 and two quarters of the 2021/22 budgets.

8. Summary Position

8.1. The following table shows the forecasted cumulative general fund peak budget gap of £23.1 million in 2022/23, when compared to the budget report to Cabinet in February 2021, which outlined a balance position for all 5 years without the utilisation of reserves.

8.2. The baseline position illustrated has been adjusted to incorporate the emerging pressures outlined in this MTFP and reflect the latest government funding assumptions to illustrate a realistic medium case, indication of the possible available resources and remaining budget gap.

8.3. The budget strategy outlined in this report to address the funding gap has been formulated on the basis of what has been assessed as the most likely scenario (medium *(*base*)* case). It is worth reflecting that different scenarios are possible due to the considerable uncertainty that exists at this moment in time and to emphasise this point, further sensitivity and scenario testing has been undertaken and outcomes outlined in the section below.

Table 10 – Financial Outlook

Summary Financial Outlook

	22/23	23/24	24/25	25/26	26/27
	£m	£m	£m	£m	£m
Original Budget (Excl. Funds held in Abeyance)	388.439	398.117	412.004	413.004	421.214
Total Service Pressures	35.104	30.073	29.461	28.641	28.995
Savings at Risks	2.400	2.400	2.400	2.400	2.400
Inflation & HSCL NIC	5.450	7.650	7.650	7.650	7.650
New Reserve	2.500	0.000	0.000	0.000	0.000
TOTAL Emerging Pressures	45.454	40.123	39.511	38.691	39.045
Indicative Budget Requirement	433.893	438.240	451.515	451.695	460.259
Draft Funding Position					
Council Tax	244.661	253.280	261.469	269.871	278.493
Business Rates	132.900	135.200	138.500	140.900	143.400
New Homes Bonus	1.410	0.000	0.000	0.000	0.000
Social Care Grants	31.226	32.093	33.003	33.959	34.963
New Govt. Grants	12.956	12.956	12.956	0.000	0.000
Collection Fund (surplus/deficit)	-12.400	-2.800	0.000	0.000	0.000
TOTAL Indicative Funding	410.753	430.729	445.928	444.730	456.856
INDICATIVE Budget GaP	-23.140	-7.511	-5.587	-6.965	-3.403

Sensitivities and Scenario Testing

8.4. In addition to the medium (base) case illustrated above, a best and a worst case scenario have also been modelled to stress test the key assumptions in relation to both core funding and cost perspectives to analyse the likelihood that an alternative budget strategy / mitigations would be required.

8.5. It should be noted however that in the absence of the outcome of the associated financial distribution methodology for each fund for 2022/23 and beyond, any projections into the medium or longer term are speculative and should be treated with caution.

8.6. The scenario testing indicates that should all the best-case assumptions materialise, which include areas outside of the Council's direct control such as national pay negotiations, collection fund deficits and new grant funding, and assumes reductions in proposed reserves, a balanced position with a favourable £5.6million would be available for 2022/23. The collective probability is considered low and level of risk exposure high, leaving no resilience should it be required for capital investment or to address other emerging pressures outside the general fund.

8.7. Should the compound adverse movement (worst case) occur in all areas with no increased funding, the budget gap would increase to £59.7 million. The scale of the gap in 2022/23 would prove extremely challenging to deliver in year and likely to result in a full depletion of the general reserves. The collective probability is also considered low and would require more drastic mitigation measures than necessary.

8.8. The medium case is a prudent one, indicating £23.1 million budget gap. Planning on this basis will ensure a proactive approach is being adopted and will support sustainability and resilience. The likelihood is that elements from both the best and worst case could arise, have an offsetting impact, and providing options for the decisions that will be in the Councils remit.

Table 11 – Scenario Outcome Summary

Scenario Outcome Summary	Worst £m	Medium (Base) £m	Best £m
Original 2022/23	**388.439**	**388.439**	**388.439**
Emerging Pressures	**62.368**	**45.454**	**29.690**
Indicative Budget Requirement	**450.807**	**433.893**	**418.129**
Indicative Funding	**-391.023**	**-410.753**	**-423.790**
Range of Outcomes	**59.783**	**23.140**	**-5.661**

8.9. These risks and scenarios will be taken into account when setting the budget, to ensure that sufficient headroom is available for financial resilience in response to future uncertainties. The tables below capture the alternative assumptions modelled and illustrate the impact of changes on standard planning assumptions within the MTFP 2022/23.

Table 12 - Key Cost Driver assumptions:

2022/23 Funding Scenarios	Worst	Medium (Base)	Best
	£m	£m	£m
Council Tax General Purpose (0% - 1.99%)	209.825	215.400	215.400
Social Care Precept (0% - 1%)	26.689	29.261	29.261
Business Rates	131.200	132.900	133.952
100% Business Rates Pilot	-	-	3.000
21/22 - Collection Fund - Surplus / Deficit	- 18.600	- 12.400	- 6.200
Social Care Grants	28.191	31.226	31.873
New Homes Bonus	1.410	1.410	2.900
Changes in Government Funding Settlement / New Grant (+/-5%)	12.308	12.956	13.604
Total	**391.023**	**410.753**	**423.790**
Sensitivity	**- 19.730**	**-**	**13.037**

Funding	Worst	Medium (Base)	Best
		Base / Core Funding	
Council Tax	As Medium (Base) case except: •General Increase 0% •SC Precept Increase 0% •CTRS Working Age: 5% increase in 22/23 then •Collection Rate 22/23, 95% •Collection Fund Deficit 21/22 of £6.6m assuming 25% recovery	•General increase 1.99% •Social Care precept: 1% •CTRS Working Age: 2.5% increase in 22/23. •Collection Rate 22/23, 96% •Collection Fund Deficit 21/22 of £4.4m assuming 50% recovery	As Medium (Base) case except: •General increase 1.99% •Social Care precept: 1% •CTRS Working Age: 0% 22/23, then reducing •Collection Rate 22/23, 98.5% (pre-pandemic rate) •Collection Fund Deficit 21/22 of £2.2m assuming 75% recovery
Business Rates	•Multiplier: 0% - No Compensation for under-indexing •Collection Fund Deficit 21/22 of £12m assuming 25% recovery	•Multiplier: 2.1% •Collection Fund Deficit 21/22 of £8m assuming 50% recovery	•Multiplier: 3.4% •Collection Fund Deficit 21/22 of £4m assuming 75% recovery
		•75% BR Pilot:	•100% BR Pilot: 22/23
New Homes Bonus		•Legacy payments only	•Legacy payments plus allowance for growth
Social Care Grants	•As 21/22 allocations excl. SR20 funding	•As 21/22 allocation Incl. SR20 funding + iBCF NHS Uplift 5%	•As 21/22 allocation +5%
Changes in Government Funding Settlement / New Grant	•Bristol's allocation - 5%	•Est based on Bristol's allocation of c.£12m of Unringfenced Covid No new burdens	•Bristol's allocation + 5%

2022/23 Expenditure Scenarios	Worst	Medium (Base)	Best
	£m	£m	£m
Base Costs / Pressures			
Service Pressures	42.855	35.104	27.352
Change in General Contract Inflation	5.700	3.200	-
Change in Pay Award by 1%	1.800	-	- 1.800
Savings at Risks	4.400	2.400	-
Health & Social Care Levy - NIC (+/-5%)	2.363	2.250	2.138
Total Emerging Base Pressures	**57.118**	**42.954**	**27.690**
One- Off Costs / Pressures			
New Priority Investments	3.000	2.500	2.000
Additional One Off Covid Income loss	2.250	-	-
Total Emerging One-off Pressures	**5.250**	**2.500**	**2.000**
Total	**62.368**	**45.454**	**29.690**
Sensitivity	**16.914**	**-**	**- 15.764**

Expenditure	Worst	Medium (Base)	Best
Base / Core Expenditure			
Service Pressures	**As Medium (Base) case except:** •Emerging Service Pressures +10% •In-Year Pressure (Net Budget +1%) 2021/22 c/fwd.	**•Total Emerging Service Pressures**	**As Medium (Base) case except:** •Emerging Service Pressures '- 10% •In-Year Underspend (Net Budget -1%) 2021/22 c/fwd.
Change in General Contract Inflation	•Corporate budget uplift by '+2.5m (expanded criteria for corporate support)	**•No general cost inflation allowance applied to service** **•4%-5% BOE / IFS Forecast •4% (22/23), 3% (23/24), 2% p.a.** **•Corporate budget uplift by £5m - ASC Infl & NLW Impact,,** **•Fees & Charges 4%, 3% and 2% p.a. thereafter**	•2% as per BOE Target p.a •Fees & Charges 2% p.a
Health & Social Care Levy - NIC (+/- 5%)	•Pay Award 1.25% Increase p.a. (+5% variation on total)	**•Pay Award 1.25% Increase p.a.**	•Pay Award 1.25% Increase p.a. (-5% variation on total)
Change in Pay Award by 1%	•Pay Award 3.5% Increase p.a.	**•Pay Award 2.5% Increase p.a.**	•Pay Award 1.5% Increase p.a.
Savings at Risks	• Non delivery of current 'At Risk' savings	**• Savings Contingency £2m applied** **•Partial delivery of current 'At Risk' savings**	• Delivery of current 'At risk' savings or contained in contingency
Capital Financing		**• Capital Financing up to 10% Headroom**	• Capital Financing up to 9.4% Headroom
One- Off Costs / Pressures			
New Priority Investments / Reserves	•Investments and Reserves + £500k	**Investments and Reserves:** **•City Leap & Legal Reserve**	•Investments and Reserves - £500k
Additional One Off Covid Recovery Costs 22/23	•Contingency for Emergency Covid response 5% of spend incurred 21/22)	• Emergency Covid response - BAU from 22/23	

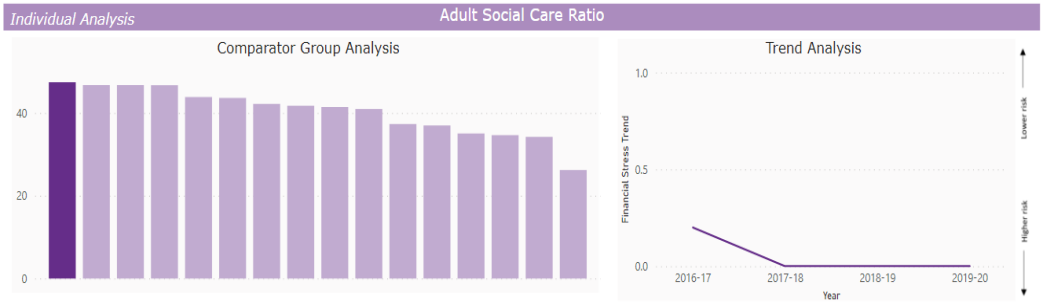
9. Financial Health Indicators

9.1. In developing the budget strategy for 2022/23 the Council has been reflective of the outcomes of the CIPFA Financial Resilience Index and other financial benchmarking. In determining the medium term budget strategy, it is essential to ensure the Council manages its financial resilience to meet unforeseen demands on services.

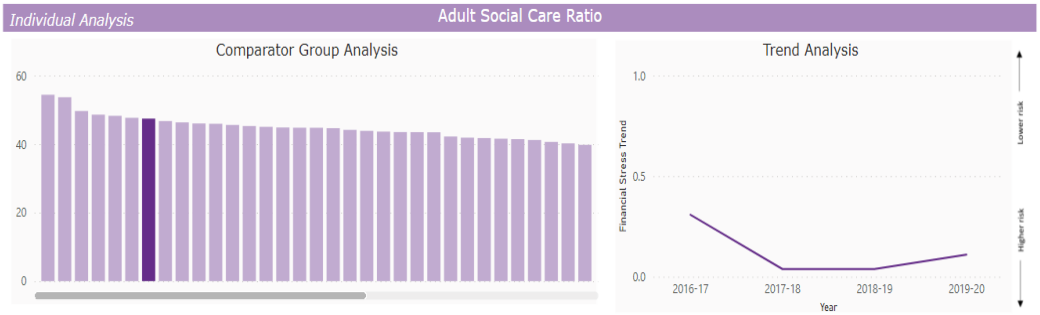
9.2. In that respect the three areas, as set out below, are particularly pertinent and have been used to shape the budget strategy and MTFP.

Adult Social Care Ratio

<u>Nearest Neighbours</u>



Unitary Authorities

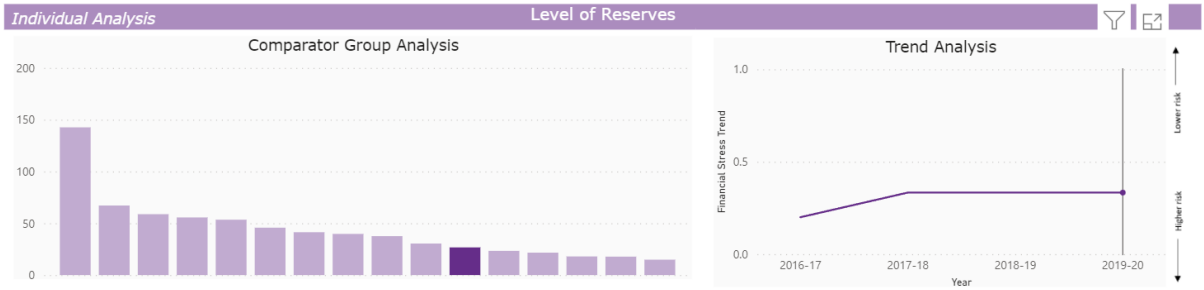


9.3. The highest area of risk to the financial resilience of the Council compared to other similar authorities is the proportion of budget spent on adult social care services as this is seen as an inflexible cost which is difficult to reduce over short term and impacts on the Council's ability to respond with agility to changing demands.

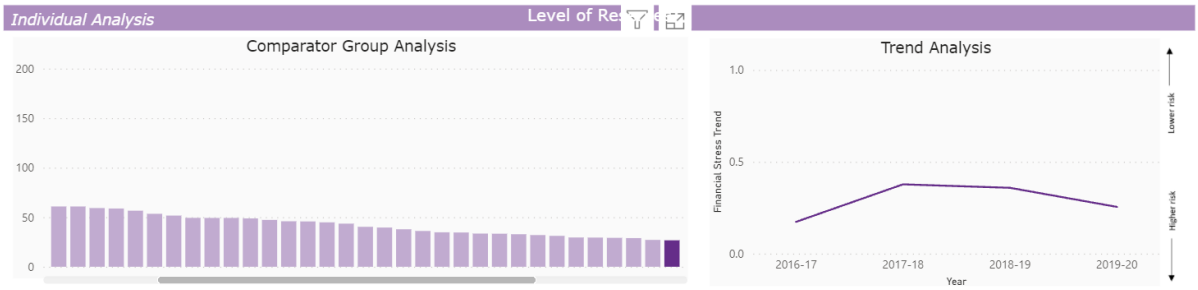
Level of reserves

9.4. This is a ratio of the current level of reserves (total useable excluding Public Health and Schools) to the Council's net revenue expenditure. Undertaking this analysis as a percentage of net revenue expenditure ensures the relative size of the Council is considered.

Nearest Neighbours



Unitary Authorities



9.5. The benchmarking analysis above shows that the Council currently has useable reserve of 26.71% and given its relative size is at the extreme low scale of the benchmark in comparison to other Unitary authorities, with c.50% representing the mid-point. The analysis when compared to nearest neighbour's whist not quite as stark, many of those to the left of the Council were core cities.

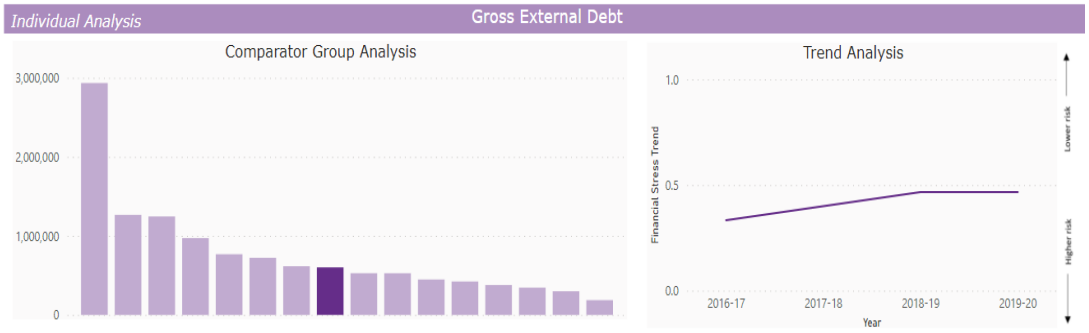
9.6. This indicator is extremely important in terms of the Council's ability to respond to extreme shocks, such as that recently experienced. The totally of the Council's Covid response spend to date, without Government support would deplete the useable (general and all earmarked) reserves. Increasing our useable reserves to this level will require an extra c.£70 million to be set aside which, given the scale needs to be a long-term ambition, over a ten + years.

9.7. The Council's need for greater resilience (as above) and the other risk emerging from the MTFP, need to be considered in the annual refresh of the reserve policy.

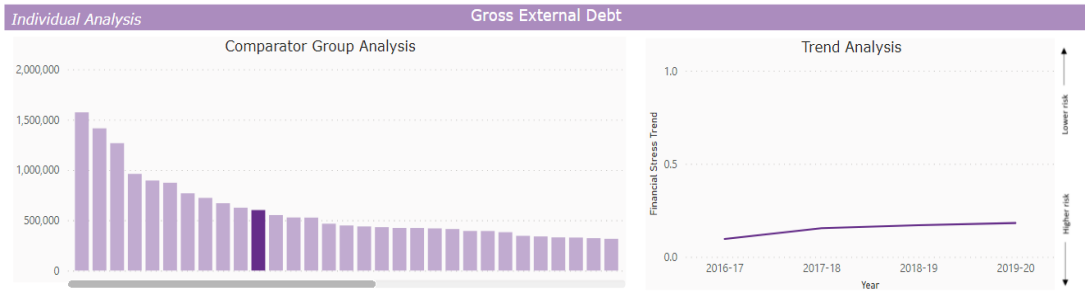
Gross External Debt

9.8. This indicates the Gross External Debt held by the Council and is used to finance the Council's borrowing liability known as its Capital Financing Requirement (CFR). It is a requirement of the CIPFA Prudential Code to set a CFR and link into the prudential indicators agreed by Council as part of its annual Treasury Management Strategy.

<u>Nearest Neighbours</u>



<u>Unitary Authorities</u>



9.9. The Council's CFR at 31st March 2021 was £886 million. It was financed by Gross External Debt of £584 million and Internal Borrowing (use of the council's surplus cash resources) of £302 million.

9.10. Given the current position the intention is to retain a mid-point of all upper tier authorities as a percentage of net revenue expenditure and seek to leverage external funding and grants to provide the headroom and parameters for the additional amounts required to deliver the wider Corporate Strategy ambitions. As such the Capital Strategy includes an indicator limiting the General Fund capital financing costs to no more than 10% of net revenue budget.

9.11. Alternative affordability metrics have been proposed for subsidiary loans (with risks weighted provisions) and HRA interest cover ratio, which will support service delivery, housing and regeneration schemes, such as those being delivered to increase housing stock and the schemes being delivered by the subsidiary companies, over the next ten years. The Council will be requested to endorse the new affordability approach as part of the development of the 2022/23 Capital Strategy and Treasury Management Strategy.

10. Budget Strategy

10.1. The Council has experienced a period of sustained increase in demand resulting from current global market factors and for some of the key services it provides to the most vulnerable members of the community, particularly within adult and children's social care. There is no sign of the growth in these areas reducing in the foreseeable future and based on the current evidence it is more likely that growth will continue in the period covered by this plan.

10.2. As of October 2021, we estimate in our MTFP a 2022/23 funding gap of £41.2 million from specific pressures and with such a significant challenge, our Council budgets will not be able to be balanced without additional funding/making greater efficiencies and/or transformation projects.

10.3. Balancing the need to be financially sustainable and deliver value for money to residents, the Council will need to deliver efficiency savings to manage growing cost pressures and maintain service levels. The scale of the efficiency will be dependent on the income received by the Council over the coming years, which at this point remains uncertain.

10.4. There are many different scenarios for bridging the gap and the main options for mitigating the financial impacts outlined in this MTFP include:

- We will ensure resources are aligned with the emerging Corporate Strategy priorities.

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

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

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

- We will be prudent, taking into account the exceptional market conditions, by building flexibility into future contracting plans to facilitate best value.

- We will ensure that, in the interests of sustainability, exit and forward strategies are considered for projects and programmes receiving one-off or external funding and these strategies are developed for those areas currently in the budget.

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

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

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

- We will continue national and regional monitoring and lobbying, to encourage the government to provide funding for the ongoing implications of the Covid-19 pandemic for local government, meet the cost of new burdens and new legislative or regulatory requirements.

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

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

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

- We will deliver proposals for consideration to reduce the Council's net expenditure by at least the indicative budget gap, for consideration as part of the budget for 2022/23.

Budget Timetable

10.5. Outlined below is the indicative timetable for the development of the 2022/23 Annual Budget for the General Fund including Public Health, Housing Revenue Account, Dedicated Schools Grant and the Councils 2022/23 – 2026/27 Capital Programme. Please note that in some instances the dates are indicative or to be confirmed and as such may be subject to change.

Table 13 – Budget Timetable

MEETING	DATE	CONTENT / PURPOSE
Public Budget Consultation #1	20-Oct-21	Consultation: HRA 30 Year Business Plan
Bristol Schools Consultation	By 22-Oct-21	Consultation Opens - DSG 22/23 Budget
Cabinet Dispatch	25-Oct-21	MTFP & Capital Strategy
SR21 / Autumn Budget	27-Oct-21	Briefing Note & Refresh Assumptions
Cabinet	02-Nov-21	MTFP & Capital Strategy-Endorse for Council
Public Budget Consultation #2	02-Nov-21	Consultation: C/Tax, Precept & Saving Themes
Budget - Task and Finish Group #1	17-Nov-21	General Fund Outlook / Bridging the Gap
Bristol Schools Consultation	TBC 19-Nov-21	Consultation Closes- DSG 22/23 Budget
Schools Forum	30-Nov-21	1. Consultation Response 2. Council Recommendations 3. Forums Recommendation & formula for modelling / approval meeting in January
Budget - Task and Finish Group #2	01-Dec-21	HRA 30 Year Business Plan
Public Budget Consultation #1	03-Dec-21	Consultation Closes: HRA 30 Year Business Plan
Full Council	07-Dec-21	MTFP & Capital Strategy Approval
Budget - Task and Finish Group #3	08-Dec-21	DSG & Public Health Budget
Prov. Local Government Finance Settlement	TBC Mid Dec	Briefing Note & Refresh Assumptions
Budget - Task and Finish Group #4	15-Dec-21	Capital Programme & Treasury Management Strategy
Public Budget Consultation #2	15-Dec-21	Consultation Closes: C/Tax, Precept & Savings Themes
Cabinet dispatch	10-Jan-22	Budget (GF(incl.PH), DSG, HRA) & Capital Programme
Schools Forum	13-Jan-22	Approve Schools Budget & provide DSG Budget Response for Cabinet
Cabinet	18-Jan-22	Recommend Mayors Budget - Council
Final Local Government Finance Settlement	TBC Mid -Jan	Refresh Assumptions
Resources Scrutiny	TBC Jan 22	Budget Scrutiny - Cabinet / Executive
Council dispatch	04-Feb-22	Publish Full Council Budget Papers
Full Council	**15-Feb-22**	**Budget Approval**

11. Reserves Policy

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

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

11.1. The establishment, monitoring and review of the levels of reserves and balances are an important element of the Council's financial management systems and financial standing.

11.2. The Chief Finance Officer (Section 151 Officer) is required by law to formally report to the Council their opinion on the adequacy of the Council's reserves. Irrespective of this, a well-managed authority is clear about the reserves it needs now and, in the future, to support its service aspirations, while at the same time delivering value for money within a climate of significant resource pressure and economic/social risk.

11.3. This Policy does not cover non-distributable reserves required to support financial accounting transactions e.g., the Revaluation Reserve, Capital Adjustment Account and Pension Reserve. (Non-distributable reserves are those that cannot be used for revenue or capital purposes.).

11.4. Reserves should not be held without a clear purpose and councils should make their own judgements on such matters, considering all the relevant local circumstances. Reserves can be held for four main purposes:

- A contingency to cushion the impact of unexpected events or emergencies
- Support for one-off and limited revenue spending, to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- A means of building up funds, to meet identified spending commitments, known or predicted liabilities.
- A means of setting aside sums for future identified uses and / or investments

11.5. The Council must manage its reserves in accordance with its strategic longer-term planning process. The level of reserves will be reviewed as a minimum in the preparation of the MTFP, Annual Budget setting and again as part of the Closure of Accounts process. The principles that will be assessed and carefully considered in establishing the reserves strategy are:

Assessed:

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

Considered:

- The overall financial standing of the authority (level of borrowing, debt outstanding) council tax collection rates, etc.
- The overall financial resilience of reserves and comparator group analysis
- The authority's capacity to manage in-year budget pressures

11.6. We aim to balance the Revenue Budget over the period of the MTFP without reliance on the use of reserves. It is important to note that whilst balancing the annual budget by drawing on reserves because of emergencies and unforeseen shocks (such as the impact of Covid-19) is a legitimate option, reserves must only be used to fund one-off expenditure.

11.7. CIPFA has commented that local authorities should be particularly wary about using one-off reserves to deal with shortfalls in current funding particularly in a climate of such financial uncertainty. Recurring expenses may only be funded from reserves if clear plans are in place to fund the ongoing costs and replenish the reserve within 12 months

11.8. Our general reserve policy, is that an unallocated general reserve will be retained of at least 5-6% of the net revenue budget. However, given the uncertain financial climate, sensitivity and risks in the financial plan, it is planned that this reserve will on a temporary basis be built up to 10% of the net revenue budget and release to either earmarked reserve or revenue as greater certainty is achieved over the period of the MTFP.

11.9. Earmarked reserves are a means of voluntary and prudently building up funds to meet known future or predicted liabilities, where they are required to account separately for Government funding streams; and for specific purposes that are consistent with achieving Corporate Strategy priorities. When establishing reserves the Council must distinguish between reserves (set aside for future liabilities) and provisions (mandatory set asides for actual liabilities existing).

11.10. In approving any new earmarked reserves, the Council needs to identify the purpose of the reserve, the protocol for its use and the procedures for its management and control. The annual budget will include the full details of Council reserves and a separate appendix detailing the earmarked reserves that can be released to revenue if required during the course of each year.

11.11. It is therefore necessary to hold reserves at sustainable levels to dampen the effect of short-term changes in the economy without putting at risk the longer term goal of growth.

11.12. Consideration will be given as to the extent to which the 2022/23 Budget can and should be supported by any available reserves, with specific reference to any available consultation earmarked reserve. By doing so this will enable full consultation and assessments to be undertaken mid-year where relevant on saving proposals and enabling options to be considered whilst prevent unnecessary or premature adjustments to service delivery standards when the budget is initially set.

Table 14 - Profile of Council Reserves

Reserve Type	Opening Balance 01-Apr-19 £m	Opening Balance 01-Apr-20 £m	Opening Balance 01-Apr-21 £m	Forecast Closing Balance 31-Mar-22 £m
General Fund	23.258	23.101	35.666	35.666
Earmarked Reserves	77.482	80.681	103.489	94.843
Total Reserves	**100.740**	**103.782**	**139.155**	**130.509**
COVID Reserves	-	12.934	113.150	35.970
Total General Fund Reserves	**100.740**	**116.716**	**252.305**	**166.479**
Public Health	3.697	3.775	4.068	4.068
Schools Reserves	12.493	7.302	7.529	4.522
HRA	90.176	91.132	109.737	106.737
Total Reserves - Other Funds	**106.366**	**102.209**	**121.334**	**115.327**
Capital Receipts Unapplied	74.742	81.196	81.571	73.571
Total Useable Reserves	**281.848**	**300.121**	**455.210**	**355.377**

12. Our Financial Principles

Putting this Strategy into Practice

Our financial principles provide a guide and good practice, to support the financial management arrangements in the Council for delivery of a sustainable and balanced budget.

While any one principle, if properly implemented, will likely yield positive results, it is the way these principles reinforce each other that will more fully deliver on the promise of effective financial planning and management.

The detailed resourcing principles that underpin these elements and activities are outlined in Annex 2 and provide the tools for a consistent, transparent approach to the annual budget review.

12.1. The Council identified three overarching financial elements; spending, investment and efficiencies and adopted guiding principles and good practice to support the process for determination of the budget and the financial management arrangements for delivery of a balanced budget position:

1. Spend

Aligning spend with corporate priorities

Maintaining sustainable finances as a priority

Being resilient to future uncertainty

2. Investment

Capital Programme Prioritisation

Investment for sustainable inclusive growth

Investment to improve and maintain

Investment to save and generate income

3. Efficiency

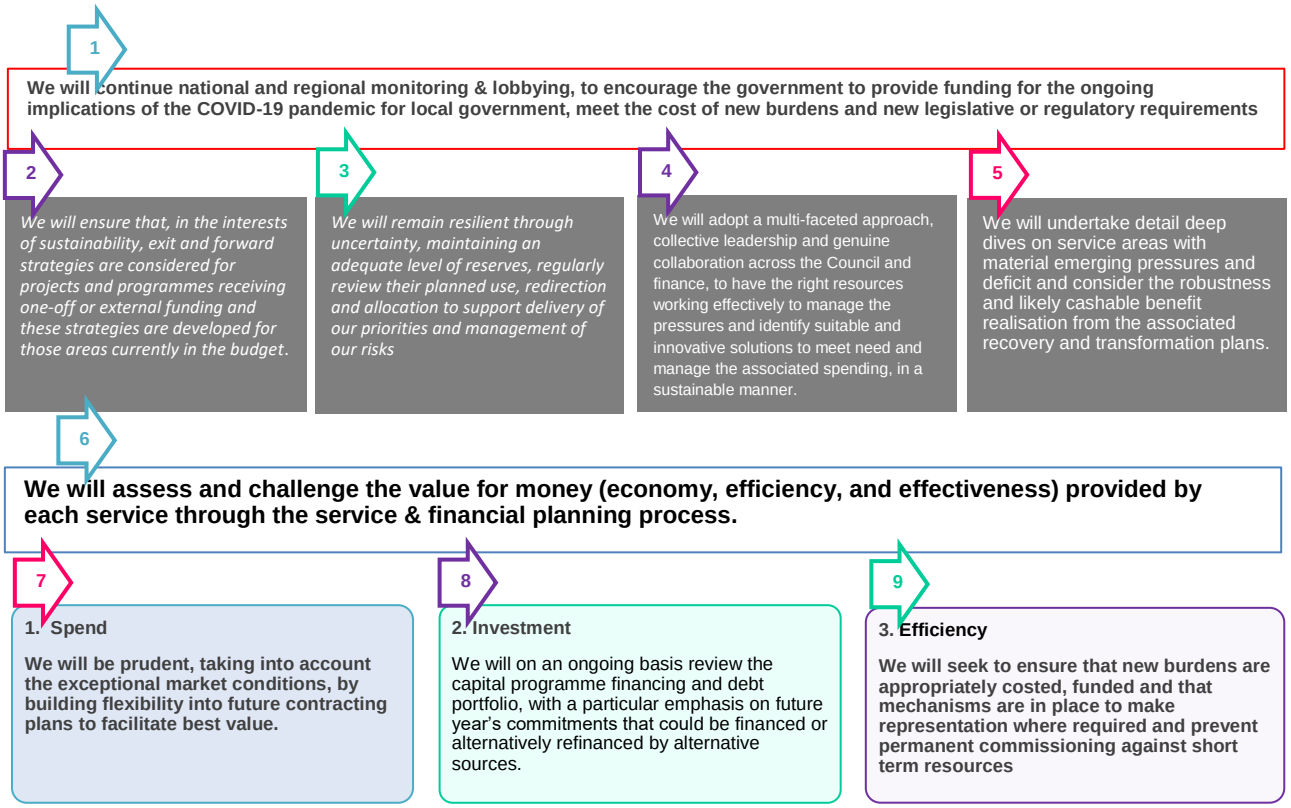
Financial Resilience

Transforming Services

Financial Sustainability

Affordability

12.2. The Council is now facing a set of fresh financial challenges and as we focus on pandemic recovery, financial sustainability and resilience are the key aspects of the Council's future strategy. To be resilient to future uncertainty we are proposing to focus on nine key principles:



13. Risk Management

13.1. Change is happening at an increasing pace and while this brings with it risks, it also offers new opportunities. We will proactively manage risks and opportunities to support delivery of strategic objectives, to improve service delivery, to achieve value for money and reduce unwelcome surprises.

13.2. We are continually developing and refining our approach to risk management in order to provide a more effective response to risks while also embedding risk management across our decision-making and service planning processes.

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

13.4. In developing the 2022/23 budget to be presented to Council for approval we will consider the key corporate risks that we face, how we propose to address these risks and sufficiency of the financial provisions made, and reserves held, to ensure resilience and sustainability.

14. Consultation and Cumulative Equalities Impact Assessment

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

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

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

Annex 1: CIPFA FM Code- Financial Management Standards

FM standard reference	CIPFA financial management standards
	Section 1: The responsibilities of the chief finance officer and leadership team
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B	The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government*.
	Section 2: Governance and financial management style
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
D	The authority applies the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).
E	The financial management style of the authority supports financial sustainability.
	Section 3: Long to medium-term financial management
F	The authority has carried out a credible and transparent financial resilience assessment.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
H	The authority complies with the CIPFA *Prudential Code for Capital Finance in Local Authorities*.
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.
	Section 4: The annual budget
J	The authority complies with its statutory obligations in respect of the budget setting process.
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
	Section 5: Stakeholder engagement and business plans
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
	Section 6: Monitoring financial performance
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
	Section 7: External financial reporting
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the *Code of Practice on Local Authority Accounting in the United Kingdom*.
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

Annex 2: MTFP Principles

Spending Principles

Aligning spend with corporate priorities

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

Being resilient to future uncertainty

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

Maintaining sustainable finances as a priority

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

Other Principles

- Invest in agreed priority areas
- Grant reductions fully passported

Investment Principles

Capital Programme

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

Capital Investments

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

Efficiency Principles

Financial Resilience

Building resilience and reducing dependency

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

Fraud, Cost Avoidance and Recovery

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

Balance Sheet Management

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

Capital financing, investments and borrowing

- We will not increase the indicative prudential borrowing commitment in the annually approved capital programme unless substituting a current scheme or where the Council can make an evidenced return on investment.
  We will be evidence-led; matching projects & delivery to economic reality and benefit realisation.
- Any capital investment decision which involves prudential borrowing must include the cost of servicing the debt and anticipated pay-back period as part of a robust business case.
- Investment to save/grow decisions will only be supported when the cashable cost reductions (or increased income) exceed the financing costs of any borrowing needed to fund the investment within the agreed pay-back period for the asset type (to be determined).

Transforming Services

Workforce & Productivity

- Develop the right organisational design that enables delivery of Mayoral priorities, including structure, pay and grading framework, and capacity.

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

Maximising Asset Utilisation

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

Smart Technology

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

Partnership Working and Earlier Intervention

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

Financial Sustainability

Fees and Charges

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

Third Party Expenditure

- We will organise procurement activity and resources to focus on specific areas of spend (category management approach) and seek to drive greater value in our procurement.
- We will focus on supporting local businesses to improve processes and collaboration to enable them to compete for opportunities within the Council's supply chain.
- We will consider Social Value and sustainability in our procurement activity.
- We will encourage value chain development, whereby collaborating partners can be recognised and reimbursed for their contribution to delivery of outcomes utilising 'payments-by-results' methodology.
- We will utilise outcomes-based commissioning (avoiding perverse incentives) and incentivise with shared benefits and liabilities.
- Market failure: We will intervene earlier where there is a clear rationale to do so, using insight to manage specification and demand.
- Consider a range of opportunities to deliver a return on Strategic and Shareholder Investments, to include creation of value through a wider strategic and outcomes based commissioning.

Entrepreneurial Approach

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

Affordability

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