1. Mayor's Budget Recommendations to Council

The recommendation of Mayor's budget proposals to Council in respect of 2023/24 as set out in this report, subject to any agreed amendments:

To note:

a) That a report from the Budget Scrutiny Committee will follow after their meeting on 2 February 2023
b) The budget consultation process that was followed and feedback as outlined in Section 18 of this report and Appendix 6.
c) The categorisation of earmarked reserves and provisions set out in Section 15 of this report.
d) That the budget consultation feedback and equality impact assessments have been taken into consideration and have informed the final budget proposals.
e) The feedback provided by Bristol Schools Forum for Cabinet and Council, for consideration in making final decisions on the Dedicated Schools Budget for 2023/24 as set out in Appendix 14.
f) The Statement of the Chief Finance Officer (s151 Officer) on the robustness of the budget and adequacy of reserves as set out in Section 17.

To recommend:

g) The Bristol City Council levels of Council Tax increase of 4.99%; which includes 2% precept to support Adult Social Care, noting the precepts of the Police and Crime Commissioner for Avon and Somerset and the Avon Fire Authority.
h) The Council's General Fund net revenue budget for the year 2023/24 as £483.5 million and expenditure allocations as set out in Appendix 1; subject to any budget amendments properly notified to and approved by the council in line with the Constitution.
i) That supplementary estimates be approved as part of the Budget 2023/24 Report in the case that they are required to meet Q3 2022/23 full year forecast spending requirements (see appendix 15.i,ii,iii)
j) The council's capital budget and programme for the years 2023/24 – 2032/33, totalling £2.0 billion
k) The strategic Community Infrastructure levy allocations in section 11 are approved.
l) The proposed Treasury Management Strategy for 2023/24 in Appendix 4, incorporating the Minimum Revenue Provision policy and the prudential indicators and limits.
m) To approve the Strategy for the Flexible use of Capital Receipts as set out in Appendix 5.
n) To approve the additional Council Tax premiums relating to empty and second homes outlined in Appendix 12 be applied from 1 April 2024, or as soon as possible thereafter, subject to the required legislation being in place.

To recommend:

o) The distribution of the 2023/24 Dedicated Schools Grant of £453.2 million as recommended by Cabinet and the Schools Forum, summarised below, and set out in Section 9.
    i. The Schools Block budget set at £323.8 million, after transferring £1.6

million of the overall Schools Block to the High Needs Block to support the Education Transformation programme.

ii. The Growth Fund for established schools expanding in September 2023 be set at £2.0 million (a component of the total Schools Block budget).

iii. The basis for distributing the funding to mainstream schools be as set out and agreed by Schools Forum.

iv. Please note this does NOT including £10.7 million Mainstream Schools Additional Grant where more schools level allocation will be available in Spring 2023.

v. The High Needs Block budget be set at £88.1 million, after receiving transfers of £1.6 million from Schools Block.

vi. The Early Years Block budget be set at £38.5 million and distributed in line with the arrangements agreed with the Schools Forum, noting income will fluctuate, according to participation levels**.**

To recommend:

p) With regards to the HRA

i. The HRA Revenue budget of £137.4 million for 2023/24 as set out in Section 11.

ii. A rent increase of 7% with effect from 3 April 2022, applicable to Housing Revenue Account (HRA) dwelling and non-dwelling rent.

iii. Note the refreshed HRA 30-year outline business plan and finance model established within the affordability principles in the capital strategy, and that this will be subject to annual review and in-depth review on a rolling 5-year basis. summarised in Section 11.

To delegate authority:

q) The delegation of authority to the Director of Finance after consultation with Designated Deputy Mayor with responsibility for City Economy, Finance, and Performance and the Mayor, to make any necessary technical adjustments that may be required to the budget with transfers to and or from reserves as appropriate.

r) Authorise the Executive Director of Growth and Regeneration, in consultation with the Designated Deputy Mayor with responsibility for City Economy, Finance, and Performance, to set HRA service charges in line with the anticipated and actual cost of running each service.

2. List of Appendices

This report should be read alongside a series of appendices:

- Appendix 1: Detailed Budget Summary by Directorate & Division with Savings & Investments
- Appendix 2: Capital Programme 2023/24 – 2032/33
- Appendix 3: Budget Risk Matrix
- Appendix 4: Treasury Management Strategy
- Appendix 5: Flexible Use of Capital Receipts Strategy
- Appendix 6: Budget Consultation Report
- Appendix 7: Equalities Impact Assessments: Cumulative & Service
- Appendix 8: Budget Savings and Efficiencies
- Appendix 9: Long Term Investments & Shareholdings

- Appendix 10: Service and Corporate pressures
- Appendix 11: Statutory Calculations in Respect of Council Tax - to follow for Full Council
- Appendix 12: Empty and Second Homes Premiums
- Appendix 13: Service Investments, Loans and Guarantees
- Appendix 14: Bristol Schools Forum Feedback
- Appendix 15: (i,ii,iii) – 2022/23 Supplementary Estimates

3. Executive Summary

3.1 The council has a legal responsibility to set an annual balanced budget (Local Government Finance Act 1992) presenting how its financial resources are to be allocated and utilised, showing the council's financial plan for the coming year with regard to statutory services as well as local key priorities and objectives.

3.2 The medium term financial outlook is the most severe we have known for many years and the council continues to manage a challenging financial environment. The longer term impact of the pandemic is lingering, the pressures of the cost of living crisis, global supply challenges, labour shortages and exceptional inflationary levels combined with continuing increases in demand for core services are contributing to the council, like others across the country, facing significant financial challenges and uncertain and unpredictable funding and cost levels.

3.3 The position is unprecedented with national and international factors largely beyond the council's control, including inflation and pay related cost increases, rapidly rising energy costs and broader demand pressures and costs in both adults' and children's social care. Nationally, the Institute of Fiscal Studies (IFS) has warned that public services face a shortfall of £18 billion a year which is the amount needed to keep pace with inflation and demand pressures across public services. The local government share of this is estimated at £3.2 billion.

General Fund

3.4 Despite levels of inflation being significantly higher than forecast at the time of the Spending Review in October 2021, the Autumn Statement in November 2022 provided no new money for Inflation for local government capital and revenue budgets and whilst the provisional settlement has outlined some additional mechanisms to raise funding, such as the additional social care precept, the government funding is not keeping pace with inflation, pay and demand pressures.

3.5 In October the council approved the rolling Medium Term Financial Plan (MTFP) 2023/24 - 2027/28 which estimated a funding gap of £31.1 million from our core budget requirement in 2022/23 raising to a peak of £37.5 million by the end of the five-year period. This funding gap needed to be viewed in the context of post pandemic, cost of living and demand pressures and was extremely sensitive to inflation and core funding variations, and the breadth of the potential variation ranged from £14.0 million to £87.6 million.

3.6 Following a refresh of the budget core funding planning assumptions, in-depth reviews of recurrent and emerging pressures, resulting in increases to budgets

for growth pressures that were considered essential to maintain service provision, the forecasted funding shortfall is an estimated to be £20.3 million in 2023/24, rising to £38 million 2025/26 and peaking at £40.0 million in 2027/28 if unmitigated. This pressure remains extremely sensitive to inflation and the breadth of the potential variation now ranges from £10 million to £125 million.

3.7 There continues to be a lack of funding certainty. The Autumn Statement and risks (subject to economic conditions) of a new round of austerity, is expected to lead to further cuts to local authority funding from 2025/26. In addition to this the government has confirmed that the long awaited fair funding review for the allocation of government funding and reset of business rates retention to redistribute growth, will not take place for at least two years. The national funding outlook for local government from 2025/26 is therefore volatile and with an unparalleled range of scenarios and uncertainty in longer term forecasting assumptions. It is for this reason that we are focusing on balancing the position to 2025/26 whilst planning for the local government funding disruption which is expected beyond.

3.8 Overall, this report recommends a 2023/24 general fund net expenditure budget of £483.5 million, a net increase of £52.5 million from 2022/23 budget and incorporates revenue investment in priority areas of £38.7 million in 2023/24 (and £13.7 million in future years) to mitigate ongoing pressures.

3.9 The identification and achievement of significant savings is essential to live within our means and to shield us from the immediate impact of government cuts in 2025/26 and beyond. A range of newly proposed service efficiencies and income generating options equating to £16.2 million in 2023/24 and plans to deliver a further £14.0 million in future years (both figures underpinned by an overarching savings contingency of £3.7 million as outlined in section 6) has been identified.

3.10 The historic service reductions and efficiencies identified of over £300 million over 12 years, in which services other than social care have had to be significantly reduced by over 50% in real terms, has substantially reduced the options available. The Department for Levelling up, Housing and Communities (DLUHC) in its December local government finance policy statement, recognised that there may still be shortfalls in funding and encouraged local authorities to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures, taking account, of course, of the need to maintain appropriate levels of reserves to support council's financial sustainability and future investment. This council is in the fortunate position of having retained a resilience reserve and therefore the council is proposing to adopt the recommended approach and use this reserve and other reserves no longer required to help us to plan the reductions we need in line with our strategic direction and to avoid the crisis cuts which many authorities have (and are) facing.

3.11 In achieving the reported position of £483.5 million for 2023/24 the council has been required to make the tough decision to utilise the mechanism made available to councils by the government to levy an Adult Social Care Precept of 2%, as a contribution towards the pressures the city faces in addressing adult social care demands, and in addition increasing the core council tax base by

2.99% to support the underlying position. The two combined uplifts equate to an overall 2023/24 council tax increase of 4.99%, generating an additional £12.5 million resources from council tax for services provided by the council.

3.12 In addition to the council tax increase and savings outlined above the position as outlined in the table below relies on the drawdown of one-off council reserves over the 3 year period (a net movement of £8.8 million, not sustainable long term and leaving a residual gap in 2026/27 and beyond) to balance the annual position. This is providing temporary support as we seek to sustain critical services and smooth the impacts of the delivery investment required, whilst developing longer-term savings plans that can address market forces and provide resilience for the future.

Table 1: General Fund summary

22/23 £m	Description	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m
425.033	Annual Budget Requirement	483.523	501.934	511.287	523.045	536.786
(415.802)	Core Funding	(479.431)	(506.090)	(502.424)	(514.914)	(527.009)
9.231	**(Surplus)/Deficit**	**4.092**	**(4,156)**	**8.863**	**8.131**	**9.777**
(9.231)	**Contribution to/ from Reserve)**	**(4.092)**	**4.156**	**(8.863)**		

3.13 The council remains ambitious in its vision and objectives for the city and is committed in particular to ensuring that services to children, vulnerable adults and the provision of high value jobs continue to be key priorities. With alternative funds available to the council for capital expenditure on infrastructure (see section 13) the council is maintaining an ambitious approach to investing in the city.

3.14 The proposed Capital Programme amounts to £298.1 million (including HRA) in 2034/24 and includes major programme of works that begin to address the ambition to make Bristol a more equal, aspirational and resilient city where everyone can share in its success.

3.15 We are adhering to the priorities residents have helped us set, including creating 1000 affordable homes, preventing homelessness, promoting a healthier and happier city, tackling inequalities and creating vibrant neighbourhoods where people want to live – all while leading the drive towards becoming a net zero carbon city by 2030. We must also get the basics right – emptying bins, maintaining roads, leisure facilities and improving ways for walkers and cyclists to get around and protecting the most vulnerable. This approach will allow the council to ensure services are rightsized, can continue to deliver its key priorities, and plan appropriately for sustainable long term change.

3.16 The proposals above all form the basis of the council's final general fund revenue and capital budget for 2023/24.

Ringfenced accounts

Public Health

3.17 The Public Health Grant in Bristol is currently £34.6 million in 2022/23 and the announcement is not yet confirmed for 2023/24. 75% of the grant is externally commissioned services. If the final 2023/24 grant doesn't cover contract inflation and pay awards then services may be affected and may need to shrink to fit a reduced service envelope. This is significant in terms of Agenda for Change pay awards for public health consultant staff and those NHS staff employed on public health contracts, e.g. the current nursing pay award has not been yet agreed.

3.18 The Kings Fund (2023) has recently reviewed national Public Health spending and has concluded that "these remain hard times for local government public health spending". Growth during 2020/21 and 2021/22 was accounted for by additional exceptional funds for test and trace and other public health aspects of Covid-19 "beyond that spend is flat, and a cumulative £3 billion below in real terms what it would have been had it been kept at its 2015/16 level." Source Hard times: the latest chapter in the story of local government public health spending | The King's Fund (kingsfund.org.uk) (accessed 9.1.2023).

Dedicated Schools Grant (DSG)

3.19 After taking account of the October 2022 census, the final data and allocations from the Education and Skills Funding Agency (ESFA) was released on 16 December 2022 with an overall DSG allocation for 2023/24 of £453.2 million. An additional allocation of £10.7 million to schools was also announced but is not included in the main DSG allocation. This is the award to Bristol from the £2 billion core schools budget uplift announced in the 2022 Autumn Statement, of which £1.6 billion was attributed to schools.

3.20 The overall DSG allocation for 2023/24 is £453.2 million, an increase of £29.8 million on the 2022/23 final allocation of £423.4 million. Additional £19.3 million is for the Schools Block, where the majority of the funding is passported directly to schools. The confirmed funding for the High Needs Block is £86.5 million, a 10.2% increase on 2022/23 (£78.5m). This includes additional allocation of £3.3 million for High Needs from the £2 billion increase (England total for High Needs element: £0.400m) stated above.

3.21 The High Needs Block continues to be under pressure. Current spending levels in 2022/23 indicate that the increased allocation will not cover in-year forecast overspend (of £18.2m as at p8 forecast) and does not provide any additional funding for growth, additional need, or historic shortfalls.

3.22 The current trends indicate that the DSG cumulative deficit is forecast to reach £43.5 million by the end of 2022/23 and increases to £62.3 million at the end of 2023/24. Work continues on the Education Transformation Programme alongside the DfE DBV (Delivering Better Value for SEND) programme which will be focused on the continuing improvement in SEND provision, with particular focus on sustainable school-led programmes, addressing the deficit in the High Needs Block through more inclusive mainstream provisions and improved collaboration with key stakeholders such as health, schools, providers, parents and carers etc. However, the DSG deficit is anticipated to rise further until mitigation, currently in

production with the DBV programme, can be fully developed, consulted on, and begin to take effect in the coming years.

Housing Revenue Account (HRA)

3.23 The HRA report presents the annual budget, Housing Investment Plan and 30-year HRA Business Plan model that, in addition to building new homes, will redevelop and regenerate existing properties.

3.24 The annual 2023/24 budget is expected to be £137.4 million (an increase of £10.1 million from 2022/23) and includes a rent increase of 7% for 2023/24. The HRA business plan model is for a period of 30 years with gateway reviews. More focus is on the medium-term as there is more certainty on costs, demands, resources and pressures, which will enable the prioritisation of housing investment, which can be considered in the light of the Corporate Strategy and the impact of government policies on rents, disposals and regeneration. The HRA will play a significant role in the delivery of the Housing Programme and will work with the council's General Fund and the council's wholly owned housing company to ensure the aspiration of the housing plan is delivered.

3.25 The Business Plan model demonstrates that the annual budget and investment proposals are fundable, subject to the assumptions within the plan, and that the HRA remains sustainable and viable over the 30-year period.

3.26 In addition to the above, the council continues to progress the delivery of an ambitious HRA capital programme over the period from 2023/24 to 2032/33, which has a gross value of £1.5 billion and is fully funded using HRA revenue and reserves, external funding, capital receipts and prudential borrowing. At 1st April 2023 the HRA earmarked revenue reserves are estimated to amount to £90.7 million.

3.27 The proposals above all form the basis of the council's final HRA revenue and capital budget for 2023/24.

4. Council Strategy & Financial Planning

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

4.2 The council's refreshed Corporate Strategy 2022 to 2027 remains the main strategic document and 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.

4.3 The Corporate Strategy will lay the foundation for delivery of the vision and consists of 7 high level strategic themes:

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

4.4 Our key commitments aligned to each theme, underpinned by 5 building blocks, and the values and behaviours that guide how the council will work can be viewed in the full document accessed via the link below:
Corporate Strategy

4.5 In the current financial climate, the approach to these needs to be considerate of budget pressure and funding availability, meaning a phased approach to change is needed to ensure services are both rightsized and sustainable and can plan appropriately for change. Through the service planning process, we will ensure resources are aligned with the Corporate Strategy priorities, transitioning our existing spend towards the priorities outlined in the strategy. We will continue to work internally and externally with our partners locally, regionally and nationally and leverage additional external funding, targeted and linked to the strategic priorities and objectives of the council.

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

4.7 The MTFP and Capital Strategy approved by Full Council, October 2022 outlined the national context, new legislative and policy change and the specific service and funding issues over the period. The budget strategy and reserve policy set out the main options for mitigating the financial impacts outlined, ensuring 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 to plan effectively for our known and potential one-off liabilities.

4.8 The economic uncertainty, cost of living crisis and inflationary pressures have meant the government has only provided 1 to 2 years of certainty on areas of funding in the financial settlement for local authorities, this leaves us with greater uncertainty in funding projections from 2025/26.

4.9 In December 2022 the Provisional Government Funding Settlement was announced. The provisional settlement funding for one year with some areas of assurance for the coming 12 to 24 months follows four one-year settlements, which continues to hamper financial planning and financial sustainability.

4.10 This has confirmed that councils in devolution deal areas are to remain in the 100% business rates retention pilot for a further year, outlined an increase of 1% to the Council Tax referendum threshold and a Social Care Precept of 2%. In addition, confirmation has been given to the cessation of the legacy New Homes Bones (NHB) payments and of an additional one year only of new NHB; and additional social care grants for two years following deferment of social care reforms. There has been a new 3% funding guarantee to replace the lower tier services grant, which has resulted in a redistribution methodology change to a nil allocation for Bristol.

4.11 The continuance of limited funding periods short term local government allocation and the scale of one-off grants allocated in the provisional settlement provides the greatest indication that local government funding reforms such as the Fair Funding (aimed at designing a new system for allocating funding between councils via a renewed methodology) and Business Rates reviews (100% to 75% retention and wider reforms of the business rate system) will be introduced for 2025/26. These reforms will set new funding baselines for every authority and presents a significant risk to future funding for the council.

4.12 The budget has been prepared considering the strategic documents, outlined above, ensuring that each year's budget is set within the context of the council's ongoing sustainability over the whole planning period. Throughout the process of setting the budget, the council has been very mindful of the impact of changes or reductions on residents. Equalities Impact Assessments (EQIAs) are included in this and associated reports. Decision makers will need to take them into account when considering these budget proposals.

5. Current Revenue Budget Position for 2022/23

5.1 This report is concerned mainly with the budget estimates for 2023/24. However, it is to consider the current year's financial performance since it has formed the starting point and springboard for formulating these budget estimates. Budget 2023/24 is based on the latest forecast outturn as at p8/Q3 2022/23.

5.2 During the year we have been reporting on a financial position which, in addition to setting out the post-pandemic impact, also describes the additional cost of living costs and demand pressures due to high inflation and the ramifications of war in Ukraine.

5.3 The current full year forecast position, based on known information at the end of November 2022 is a net £9.5 million (2.2%) overspend against the approved general fund budget before application of supplementary estimates. This pressure is predominately due to increases in service demand and market cost pressures within Adults and Children's Social Care and Home to School Transport services with the Education and Skills division for children with high needs.

5.4 For ring-fenced accounts, latest in-year forecasts report £8.0 million overspend for the HRA (7.1%), £18.8 million overspend for the DSG (4.5%) and a balanced position on the Public Heath grant.

5.5 It is expected that where possible mitigations will continue to be explored across services within the directorates to contain cost pressures within the delegated cash limits.

5.6 The ongoing pressures that have been identified through budget monitoring have been taken into consideration in preparing both the Medium Term Financial Plan and budget 2023/24.

5.7 Further details of the forecast year end position can be found in the period 8/Quarter 3 2022/23 Financial Monitoring Report presented to Cabinet 24 January 2023.

5.8 Supplementary estimates are presented for approval as part of the Budget 2023/24 report to ensure needs led service can continue to be provided in the case that they are required to meet Q3 2022/23 full year forecast spending requirements (see Appendix 15: i, ii, iii).

6. General Fund Revenue Budget 2023/24

6.1 Full details of the 2023/24 service cash limit budgets are set out in Appendix 1 with key areas of investment and savings set out below.

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

6.3 The funding settlement along with amendments to assumptions around inflation and service demand, reflecting known changes on potential variations since Octobers' MTFP, have been reflected in the funding position of this budget proposal. The council's revised 2023/24 budget gap stands at £20.3 million rising to £40.0 million in 2027/28. There is a steep incline in the gap at 2025/26 when a number of the funding streams are expected to cease, coinciding with the business rates revaluation exercise that is expected to reduce the council's funding significantly.

6.4 The proposed General Fund revenue budget for 2023/24 totals £483.5 million, a net increase of £52.5 million from the 2022/23 baseline budget (£431.0m which included £6m one off funding). The council consulted on possible options for savings and efficiencies amounting to a potential £45.7 million. After giving due consideration to the feedback from the consultation and further due diligence a number of proposals have been removed, revised or included, revising the overall total to £30.2 million (of which £16.2m is attributed to 2023/24).

6.5 All residual savings approved in prior years must be carried forward and included in determining the council's overarching budget requirement. After write offs and amendments have been applied, the budget now includes a savings target of £13.7 million (of which £9.9m is attributed to 2023/24).

6.6 The overarching savings figure built into the budget (net of any write off's) is therefore restated to £43.9 million of which £26.2 million is attributed to 2023/24. The table below provides a summary of the position.

Table 2: Summary of savings

Description	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	Total £m
Future Year Savings from 2022/23	(13.604)	(2.163)	(0.673)	(0.468)	-	(16.908)
Future Year Savings Written Off	4.005	0.350	-	-	-	4.355
Amendments to Future Year Savings	(0.395)	(0.237)	(0.501)	-	-	(1.133)
Subtotal 2022/23 Savings	**(9.994)**	**(2.050)**	**(1.174)**	**(0.468)**	**-**	**(13.686)**
New 2023/24 Proposals	(16.248)	(12.058)	(0.799)	(0.593)	(0.547)	(30.245)
TOTAL	**(26.242)**	**(14.108)**	**(1.973)**	**(1.061)**	**(0.547)**	**(43.931)**

6.7 It should be noted that this is presented for completeness and that supplementary approval is not being sought for previously agreed savings. The full details of all previous and new savings in the budget are outlined in Appendix 8. Optimism bias is further applied totalling £3.7 million to support any further variations that may occur in relation to delivery and/or consultation.

6.8 The key components of the General Fund budget of £483.5 million are summarised in the table below. Significant investment is being made in services that support the most vulnerable in our community and to tackle the cost of living crisis that is impacting local government and all public and private sector businesses across the UK. It is proposed that the new savings of £42.3 million between 2023/24 and 2025/26 are supplemented with up to £8.8 million potential draw down from the council's resilience reserves. This will provide a cushion enabling a stable medium term position to 2025/26 and key services to be maintained while greater certainty is obtained in relation to the future economic conditions.

Table 3: Summary of proposed General Fund revenue budget

22/23 £m	Item	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m
388,795	Base budget Carried Forward	425,033	483,523	501,934	511,288	523,045
9,016	Pay Inflation	15,545	6,990	5,880	5,972	5,870
15,391	Non pay Inflation	28,043	18,964	2,288	4,146	5,665
(18,137)	**Savings**	(26,242)	(14,108)	(1,973)	(1,061)	(547)
	Optimism Bias	2,445	1,000	500	-	-
29,968	Service Investments	38,698	5,566	2,658	2,700	2,753

425,033	**General fund budget**	**483,523**	**501,934**	**511,288**	**523,045**	**536,786**
(243,198)	Council Tax	(258,801)	(274,188)	(281,927)	(289,785)	(302,148)
	Council Tax Second Home premium	-	(2,872)	(3,015)	(3,075)	(3,136)
(140,745)	Business Rates (NNDR)	(154,020)	(158,416)	(149,615)	(152,832)	(153,027)
(3,430)	New Homes Bonus	(1,599)	-	-	-	-
(45,302)	Social Care and other Grant's	(60,184)	(70,614)	(67,867)	(69,222)	(68,698)
(3,212)	Drawdown from General & Earmarked Reserve	(4,092)	4,155	(8,863)	-	-
10,854	Collection Fund (Surplus)/Deficit	(4,827)	-	-	-	-
(425,033)	**Funding**	**(483,523)**	**(501,935)**	**(511,287)**	**(514,914)**	**(527,009)**
-	**Budget (Surplus)/Deficit**	**-**	**-**	**-**	**8,131**	**9,777**

6.9 The following specific changes and key assumptions have been made in the development of the 2023/24 budget:

- Council Tax increase of 4.99% (including 2.99% for general purposes and 2% Adult Social Care Precept)
- Introduction of 100% council tax premium on second and empty homes subject to parliamentary approval
- 100% business rates retention for 2023/24 only and multiplier uplifted by CPI
- A pay award/NIC capped (£9,100) of c4% plus small contingency
- All Social Care grants - retained for the medium term and cash flat
- No general inflation uplift to be applied to service expenditure budgets
- Inflation uplift of 5% to be applied to all fees and charges
- Specific inflationary increases in Private Finance Initiative (PFI), social care and essential services eg such as utilities only
- Capital Financing – assumption that borrowing costs peak at 4.5% in 2023/24
- ASC reforms delayed 2 years - new burden fully contained within redistributed funding

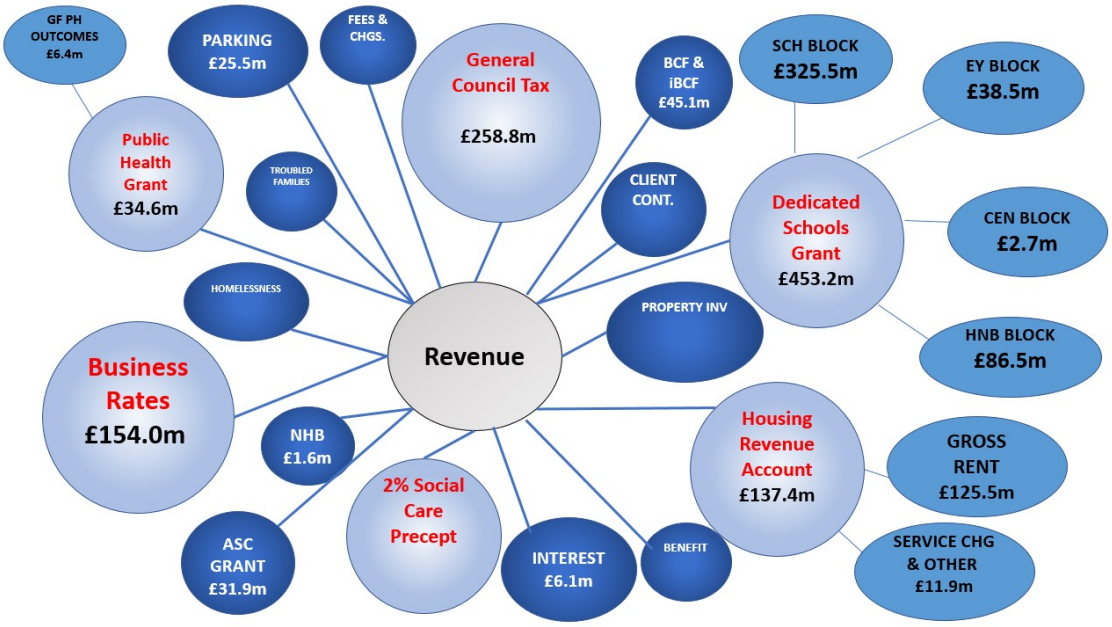
6.10 It is important that the council continues to plan and grow our local tax base which provides real additional resource that can assist with managing increases in service demand and changes in government funding.

6.11 During this period of continuous uncertainty, we are conscious of the impact of council tax increases on Bristol residents. Given the growth in demand for our services and the absence of any new permanent funding being made available by government, the council is required to take action to ensure the sustainability of services.

6.12 Whilst this report focuses predominantly on core funding streams, it is worth noting that the Council receives a wide range of external grants and other income streams applied directly to service budgets for delivery of key services.

6.13 Figure 1 below provides an illustration of the composition of all external income streams anticipated for 2023/24.

Figure 1: Breakdown of total income 2023/24



6.14 In the Autumn Statement the government announced a Council Tax Reduction additional support scheme for 2023/24. For Bristol the award is £0.9 million to assist c13,500 households that are, or who may be, in receipt of partial CTR or potentially full CTR throughout the financial year 2023/24. The grant is in recognition of the impact of rising bills and to support economically vulnerable households in their area with council tax payments.

6.15 The scheme will apply to working and pension age households. A further round of Household Support Fund (HSF) was also announced, with an award of £8.0 million for 2023/24 to be used to support households in the most need, particularly those who may not be eligible for the other support government has recently made available but who are never less in need.

6.16 It was proposed in savings consultation to reduce the contribution to the Local Crisis Prevention Fund by £0.35 million, which would be replenished should funded welfare assistance grants be provided by government. The HSF grant criteria would meet the criteria for the LCPF top up and subject to final receipt of the guidance a proposal will be presented to Cabinet for the use of the funds and grant directed to the relevant service area for deployment.

Service and corporate pressures

6.17 As part of the budget process each year, we look at unavoidable financial pressures on services that will have an on-going budgetary impact, some of which are outside of the control of services and cannot be immediately mitigated by savings and efficiencies. Examples of these would be non-negotiable

contractual changes, which have a direct impact on costs; legislative changes such as new functions / standards; and organisation development. There are other areas where the current budget is not adequate for the level of demand within the service or loss of grants / income is anticipated; whilst these can be addressed, they cannot be addressed immediately due to the need to revise commissioned activity or develop exit strategies.

6.18 The table below provides a summary of expenditure pressures with further detail in Appendix 10.

Table 4: Breakdown of baseline expenditure pressures and investments

Description	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	Total £m
Pay Inflation Pressures	15.545	6.99	5.88	5.972	**5.87**	**24.712**
Non-Pay inflation pressures	28.043	18.964	2.288	4.146	**5.665**	**31.063**
Total Service Pressures	38.698	5.566	2.658	2.7	**2.753**	**52.375**
Total Baseline Pressures	**82.286**	**31.52**	**10.826**	**12.818**	**14.288**	**151.738**

People

Adult Social Care & Communities and Public Health

6.19 Adult Social Care continues to face significant demand and resource challenges in meeting care and support needs with both provider sustainability issue from rising costs, significant inflationary pressures, and workforce pressures which continue to make this a difficult service context.

6.20 The intensifying recruitment and retention crisis due to low pay and high staff turnover in the social care sector, is a significant risk to the timely provision of care and support. Added to this challenge of ensuring timely hospital discharges, to free up hospital beds and reduce pressure on the NHS particularly with winter challenges and the need to reduce Covid-19 elective backlogs make this a perfect storm.

6.21 2022/23 has been a difficult year financially with significant budget pressures (as reported to Cabinet) and the service has found it challenging in the above context to deliver its savings. For 2023/24, there are a number of expenditure pressures and investments needed to support adult social care (as set out in Table 5). These include pressures for increased numbers and cost of young people transitioning from children to adult services and the pressure from the exempt accommodation subsidy loss.

6.22 Whilst additional funding for social care is welcome (in the form of social care grant and precept, market sustainability and discharge funding, see below) and will provide some measure of relief, the short-term nature of some of the funding, for example the discharge funding, does not provide any long term certainty to be

able to plan and work effectively to improve service delivery and outcomes for people who rely on our help and support.

Table 5: Breakdown of baseline expenditure pressures and investments - Adult Social Care & Communities and Public Health

Description	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m
From 22/23: uplift - Demand/demographic growth	1.094	1.037	0.885	1.186	1.196
From 22/23: uplift: Extra Care Housing recommissioning	0.600	-	-	-	-
Prior Year Recurrent Service Pressures (mainly in relation to adult purchasing budgets)	2.064	-	-	-	-
Community safety pressure from HRA funding discontinuation	0.067	-	-	-	-
Communities and PH/Environmental Health/ Food Safety Inspections and Bristol Port	-	0.085	-	-	-
Preparing for Adulthood - cost of care	0.345	0.355	0.366	-	-
Exempt accommodation subsidy loss	0.700	-	-	-	-
Fair Cost of Care	1.369	-	-	-	-
New Burden: AS22 New Better Care Fund	1.259	2.095	-	-	-
Total	**7.498**	**3.572**	**1.251**	**1.186**	**1.196**

6.23 In addition, care provider contractual inflation uplifts for 2023/24 for packages of care will see a significant rise in costs as a result of increases in the retail price index and living wage assumptions. Inflationary uplifts will be met corporately for 2023/24.

The Settlement - distribution of social care resources

The Local Government Finance Settlement set out proposals for social care services funding for 2023/2024. This included the following funding streams:

Social Care Grant £31.9 million

6.24 Social care grant (increase of £10m). It was announced in the Autumn Statement that adult social care charging reforms, due to be introduced from October 2023, will be postponed for 2 years. The associated funding that had been allocated by government for this is being repurposed and has been added to the social care grant and the former Independent Living Fund grant of £1.6 million has also been consolidated within the social care grant for 2023/24. The social care grant supports both adult and children's social care and will be used to support demand, inflation and other cost pressures and invest in service improvements.

Adult Social Care Market Sustainability and Improvement Fund (fair cost of care) £4.7 million (increase of £3.38m)

6.25 This funding is to assist with moving towards the fair cost of care and has been provided to assist with service demand, capacity issues and market sustainability issues.

Adult Social Care Discharge Fund £2.4 million

6.26 The Autumn Statement also announced £600 million of funding nationally, that would be split equally between councils and the NHS, to support hospital discharge. This funding is to allow people to be discharged more quickly and safely from hospital into the community, where they will receive the care they need to recover. This grant contains Bristol's allocation of c£2.4 million which must be pooled into the Better Care Fund with NHS partners.

Improved Better Care Fund

6.27 No change from 2022/23.

Children, Families and Safer Communities Teams

6.28 The 2022/23 has been a challenging year for Children's Services. There has been significant pressure resulting from an increasing number of Looked after Children placements and bigger pressure on the unit cost of these placements due to local sufficiency challenges.

6.29 The number of Looked After Children grew by 11% in the year to January 23 and had grown significantly from 2020-21 from 20 per 10,000 to 31 per 10,000. Alongside this, children leaving care has slowed significantly down to 18 per 10,000 population creating a 13% differential in entrants/leaver.

6.30 Demand for provision for Post-16 young people with high support needs has increased by 52% in the last year adding further increase to externally provided placements. These placements have seen a 25% increase in costs over the past 12 months, reflecting the market cost increases and additional complexity in the young people.

6.31 Overall placement costs have on average risen by 10.6%.

Table 6: Breakdown of baseline expenditure pressures and investments - Children, Families and Safer Communities

Description	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m
From 22/23 uplift: benefit from invest to save Children's Placements demand and cost pressures	(0.994)	(1.195)	(0.671)	-	-
From 22/23 uplift: Bristol Children's home staffing and maintenance costs	0.300	0.250	-	-	-
Prior Year Recurrent Service Pressures	14.846	-	-	-	-

Placement costs - additional children from 2023/24	1.258	1.296	1.335	1.375	1.416
Additional social workers to support increasing in children's numbers	0.312	0.054	0.055	0.056	0.058
Phoenix court	0.065	(0.065)	-	-	-
Temporary accommodation / housing costs due to shortage of supply in Bristol	0.350	-	-	-	-
Staffing pressures	1.442	-	-	-	-
Additional staff to support service activity around missing children	0.126	-	-	-	-
Total Pressures	**17.705**	**0.340**	**0.719**	**1.431**	**1.474**

Education

6.32 The Education and Skills service continues to experience increase in the number of Education Health and Care (EHC) assessments which has places significant pressure on the service budgets in the year.

6.33 The number of EHC plans issued has also seen significant in-year increase of 17.3%. Nationally, the total number of EHCPs increased by 544% from 2016 to 2022. Over the same period, the total number of EHCPs has increased by 513% in Bristol.

6.34 The Home to School Transport service has also seen significant pressure from the increase in the proportion of children with EHCPs needing travel support, together with limited local capacity, and increasing supplier costs.

Table 7: Breakdown of baseline expenditure pressures and investments – Education

Description	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m
From 22/23 uplift: Home to School Transport Increased Demand	0.050	0.051	0.053	0.053	0.053
From 22/23 uplift – Special Educational Needs Support	-	0.385	-	-	-
Prior Year Recurrent Service Pressures	2.162	-	-	-	-
SENDIASS (SEND information support system)	0.043	-	-	-	-
SENDIASS - education contribution	0.055	-	-	-	-
Legal costs for tribunal cases	0.200	-	-	-	-
Edu psychologists training costs	0.020	-	-	-	-
SEN Staffing - current budget pressure	1.000	-	-	-	-

Increasing demand for annual reviews & assessments	0.862	-	-	-	-
Home to School Transport – price and volume	1.878	1.252	0.626	-	-
Total Pressures	**6.270**	**1.688**	**0.679**	**0.053**	**0.053**

Growth and Regeneration

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

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

6.36 While the directorate has witnessed a significant bounce back in income since the pandemic, 2022/23 has still proved to be a challenging year with the increased demand for Temporary Accommodation, energy price increases due to the war in Ukraine, as well as the cost-of-living crisis. This has led to the need for corporate intervention to mitigate a significant proportion of in-year pressure. The table below outlines the emerging pressure that is now built into the base budget from 23/24 onwards.

6.37 It should be noted that inflationary uplifts for energy price pressures and other related areas, and staff salaries, are held corporately and may be requested in 2023/24.

Table 8: Breakdown of baseline expenditure pressures and investments - Growth & Regeneration

Description	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m
Prior Year Recurrent Service Pressures	3.502	-	-	-	-
Exempt accommodation subsidy loss	0.400	-	-	-	-
Bristol Operation Centre 24/7 staffing cost	0.300	-	-	-	-
BWC - Transfer of additional waste efficiencies	0.717	0.029	0.029	0.030	0.030
BWC - FM - Net Annual Contractual Efficiencies / Uplift	0.042	(0.005)	(0.019)	-	-
FM - Re-aligned Annual Income Target	0.150	-	-	-	-
Total	**5.111**	**0.024**	**0.010**	**0.030**	**0.030**

Resources

6.38 The Resources Directorate contains the council's key resident facing services (such as Citizens Services, registrars, mortuaries, administering council tax,

business rates and housing benefits) as well as further professional support services which support the strategic direction of the council and provide essential support to members and managers to improve outcomes and deliver change. Beyond its core, statutory and regulatory duties, the Directorate also serves some of the most vulnerable in the city.

Table 9: Breakdown of baseline expenditure pressures and investments - Resources

Description	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m
Prior Year Recurrent Service Pressures	1.697	-	-	-	-
PSD Transformation, Restructure and Right-sizing linked to common activities	0.110	-	-	-	-
Legal/Mortuary & Coroner contract, backlog and staffing cost	0.194	(0.058)	-	-	-
Democratic Engagement - Members Allowances	0.113	-	-	-	-
Total	**2.114**	**(0.058)**	**-**	**-**	**-**

Corporate expenditure

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

Pay awards

6.40 Pay awards and NIC cap (£9,100) for local government workers are agreed in negotiations between employers and trade unions through the National Joint Council for Local Government Services. For 2023/24, a 4% plus contingency for pay award and NIC assumptions is included in the budget centrally and notionally allocated across directorates at this stage. Its eventual distribution will follow once negotiations with Trade Unions have been concluded. 2024/25 assumes a 3% pay award. 2025/26 onwards assumes 2.5%.

Contract Inflation

6.41 In order to deliver efficiencies through contract management inflation is not applied automatically to all expenditure budgets. It is assumed that this approach will thereby drive in the region of 5% budget efficiency. However for fees and charges, general inflation has been assumed against all relevant budgets for

corporately at 5% for 2023/24 and at 2% from 2024/25 onwards. Where there are specific services for which inflation is for example index-linked and therefore expected to exceed this general level, an additional corporate provision has been made. Such areas include for example adult and children social care, energy pricing, PFI contracts and waste contracts.

6.42 In addition to the above, the 9.7% increase in the National Living Wage to £10.42 and the Health and Social Care Levy National Insurance contribution of 1.25% applicable to the provider market both come into force from April 2023. These have further increased the pressures on inflation related budgets. Due to the significant uncertainty regarding current levels of inflation across a variety of goods and services, additional contract inflation contingency of £2 million provision has been included for any unexpected increases over the next financial year.

Table 10: Breakdown of corporate expenditure budgets

Corporate Expenditure	23/24 £m
Capital Financing	23.866
Corporate and Democratic Core and Levies	11.071
Other including Contract Inflation and pay awards	63.736
Total	98.673

Savings

6.43 The council continues to experience a period of sustained increase in demand resulting from current global market factors and for some of the key services it provides for the most vulnerable members of the community, particularly within adult and children's social care. Following the announcement of government grant allocations and estimates of the council's funding, a significant challenge remains in the council budgets which cannot be balanced, and service levels cannot be sustained in some key areas over the coming years without delivering efficiency savings.

6.44 In the last 12 years the council has identified over £300 million of savings. Of the savings identified last year there were £16.9 million identified as deliverable during the 23/24 to 26/27 period. These can be found in previous budget papers: Budget Proposals (bristol.gov.uk)

6.45 The council has undertaken a review of service areas, including deep dive reviews into pressures in key areas of demand and funding shortfall, to identify options around efficiency, savings and transformation.

6.46 The options generated from these reviews identified the potential for savings, income generation, efficiencies and transformation amounting to £45.7 million that were consulted on during November and December 2022.

6.47 Following the consultation feedback and further due diligence, engagement, impact assessment and validation several proposals were removed or had

change to their values. This was either because the consultation indicated a preference not to progress, or following due diligence proposals were identified as cost / growth avoidance, noting that the latter will still be developed but will not have a budgetary impact.

6.48 There were several new items proposed considering the reductions. The changes since consultation are detailed in the tables below.

Table 11: Savings removed following consultation

Name of Proposal	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	Total £m
P12 Specialist Fostering Programmes**	0.800	2.600	-	-	-	3.400
P24 Support for Families and Special Guardians	0.120	-	-	-	-	0.120
P26 Homes for Children with Complex Needs	1.000	5.000	-	-	-	6.000
P14 Trauma-informed programme	0.750	0.750	-	-	-	1.500
GR011 Libraries*	(0.066)	1.450	-	-	-	1.384
GR012_A Parks Service*	(1.390)	2.890	-	-	-	1.500
GR009 Culture and Creative Industries funding*	0.150	0.250	0.250	-	-	0.650
TOTAL	**1.364**	**12.940**	**0.250**	**-**	**-**	**14.554**

Notes:
* Reflecting consultation feedback
** Replaced as part of alternative fostering proposal following due diligence
All others have been removed following due diligence as items that are cost avoidance in nature, rather than budgetary reductions

Table 12: Savings amended following consultation

Name of Proposal	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	Total £m
P6 East Bristol Intermediate Care Centre	0.834	(0.334)	-	-	-	0.500
P11 Foster Carer Recruitment and Retention	0.427	(0.334)	(0.614)	(0.251)	(0.293)	(1.065)
P25 Bristol Children's Homes	0.300	(0.300)	-	-	-	-
GR007 Temporary Accommodation need	0.920	1.615	2.189	-	-	4.724
P1 Bristol Community Links Service	0.687	(0.687)	-	-	-	-
P7 Concord Lodge	0.104	(0.104)	-	-	-	-
P21 Home to Education Transport	0.632	(2.070)	(0.130)	(0.192)	(0.254)	(2.014)
P23 Early Help in communities, including Children's Centres & Family Hubs	-	(0.752)	-	-	-	(0.752)

GR002.1 City Transport discretionary activities	0.030	(0.030)	-	-	-	-
R20 Local council tax reduction scheme	0.025	(0.025)	-	-	-	-
P13 Keeping Families Together/Family Network	0.640	0.700	-	-	-	1.340
TOTAL	**4.599**	**(2.321)**	**1.445**	**(0.443)**	**(0.547)**	**2.733**

Table 13: New savings added

Name of Proposal	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	Total £m
NEW1 S Bristol Rehab Centre	(0.144)	-	-	-	-	(0.144)
NEW2 Targeted Commissioning	(0.200)	(0.200)	-	-	-	(0.400)
NEW3 Short Breaks	-	(0.270)	-	-	-	(0.270)
NEW4 Pooled Budgets	(0.100)	0.100	-	-	-	-
NEW5 New Parking Charges	(0.150)	(0.150)	-	-	-	(0.300)
NEW6 Increase garden waste service charge	(0.144)	-	-	-	-	(0.144)
NEW7 Increase Chargeable Domestic Waste charges	(0.036)	-	-	-	-	(0.036)
NEW8 Bulky Waste - Upholstered Furniture Charge	(0.007)	-	-	-	-	(0.007)
NEW9 Replacement Bin Charge	(0.100)	-	-	-	-	(0.100)
NEW10 Charging for DIY waste at Recycling Centres	(0.300)	-	-	-	-	(0.300)
NEW11 Charging for processing and delivery of recycling containers	(0.100)	-	-	-	-	(0.100)
NEW12 Charging for collection Christmas Trees	(0.030)	-	-	-	-	(0.030)
TOTAL	**(1.311)**	**(0.520)**	**-**	**-**	**-**	**(1.831)**

6.49 The summary of the proposals put forward as part of this budget now amount to £16.2 million of savings in the 2023/24 financial year, and £14 million for future years (full details of the savings recommended for approval are set out in Appendix 8).

6.50 An optimism bias contingency for the new proposals of £3.7 million has been set aside, this is earmarked for variation following validation / due diligence, including to enable slippage where identified timescales may need to be moved, and to enable any planned write off or changes to savings as a result of further consultations. A savings contingency at this level is deemed appropriate considering the level of savings proposed and the stage of due diligence on each.

6.51 As part of Budget 23/24, previously approved budget savings of £4.0 million (£4.4m to 26/27) have been removed as these were items in their infancy and following due diligence and further assessment were established as being undeliverable in the manner originally planned. Offsetting this are changes to existing previously approved budget savings amounting to £0.395 million (£1.1m to 26/27). Giving a total adjustment to savings brought forward from previous years of £3.6 million (£3.2m to 26/27 years).

Table 14: List of prior year savings removed from budget 2023/24

Description	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27£m	Total £m
Discretionary Giving	0.050	0.100	-	-	-	0.150
Review special guardianship order arrangements	0.025	-	-	-	-	0.025
Improve Home to School Transport commissioning arrangements	0.284	-	-	-	-	0.284
Reprocure energy contracts	0.150	0.250	-	-	-	0.400
Review the Bristol Community Meals service delivery	-	0.110	-	-	-	0.110
Review Home Choice processes and criteria	-	3.150	-	-	-	3.150
Review our arrangements for trade unions	-	0.095	0.050	-	-	0.145
Centralised funding, bids, grants, sponsorship and acquisitions team	-	0.150	-	-	-	0.150
Carry out harbour review	-	0.150	0.300	-	-	0.450
Total	**0.509**	**4.005**	**0.350**	**-**	**-**	**4.864**

Table 15: List of prior year savings changed in budget 23/24

Description	23/24 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m	Total £m
Review parking charges	-	(0.600)	0.040	-	-	(0.560)
Review of services grants & charges across the culture service	-	0.205	(0.277)	(0.501)	-	(0.573)
Total	**-**	**(0.395)**	**(0.237)**	**(0.501)**	**-**	**(1.133)**

Long Term Shareholdings and Other Investments

Shareholdings

6.52 The council has a range of long-term investments and shareholdings some of which are wholly owned or to which it has a material interest. In relation to the wholly owned companies, these are complex businesses and when entering into any long-term investments such as these it is important to assess the market conditions and to acknowledge that the industries are ever-changing, and as such will always be subject to external influences, volatilities and risks. The

financial performance of these companies and their assets and liabilities are regularly reviewed to ensure that there is no financial implication for the council in future years.

6.53 The council continues to assess the effectiveness of the governance, monitoring and quality performance parameters, regularly reporting to the Shareholder Group and members for informed decision making.

6.54 To ensure the council's investment is protected, commercial information that could impact on an individual company's value will be managed sensitively, with due consideration given to the sensitivity of the information being requested at the time of the request in case any resulting harm would be caused due to its disclosure. However, as a public authority the council should remain open and transparent as far as possible.

6.55 The council budget reflects the council's financial commitment associated reserves and establishes the capital and revenue cash limits that we consider sufficient to meet the business needs. The companies will operate within these council funding parameters for 2023/24 and business plans will be developed within these thresholds as well as utilisation, where appropriate, of our companies own reserves and contingencies. For further detail please see Appendix 9: Long Term Investments & Shareholdings and Appendix 10: Service & Corporate Pressures.

7. Collection Fund Surplus / Deficit

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

7.2 As reported to the council on 10 January 2023 there is an estimated surplus on the Collection Fund for the year ending 31 March 2023 of £5.3 million of which the council's share is £4.8 million.

8. Council Tax 2023/24

Council tax precepts

8.1 The threshold for increasing the council tax for 2023/24 is 4.99% which includes 2% Social Care Precept and core council tax increase of 2.99%. The precept will need to be identified separately and the s151 Officer will be expected to notify the Secretary of State of the amount intended to be raised and verify that the funding has been used for adult social care.

Calculation of the Council's Tax base

8.2 On 10 January 2023 Full Council approved the tax base for the year 2023/24 as 129,654. This represents an increase of 1.36% on the previous year's tax base (127,917).

Council Tax by band

8.3 It is recommended that the following amounts be submitted for agreement by Full Council for the year 2023/24:

- £258,801,053 being the sum to be met from council tax in 2023/24 for services provision (£243,198,359 in 2022/23)

Bristol City Council's share of council tax for the year 2023/24 for the services it provides for each category of dwelling is shown as follows:

Table 16: Council tax charges for Bristol City Council element by dwelling band

	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
2023/24 Council Tax	1,330.73	1,552.52	1,774.31	1,996.09	2,439.68	2,883.25	3,326.83	3,992.20
2022/23 Council Tax	1,267.48	1,478.72	1,689.96	1,901.22	2,323.70	2,746.20	3,168.69	3,802.43
Percentage Increase	**4.99%**	**4.99%**	**4.99%**	**4.99%**	**4.99%**	**4.99%**	**4.99%**	**4.99%**
Annual Increase	**63.27**	**73.80**	**84.35**	**94.87**	**115.98**	**137.05**	**158.14**	**189.77**

Empty and second home premiums

8.4 The government has proposed a Levelling Up and Regeneration Bill that would introduce optional discretionary council tax premiums on both empty and second homes.

8.5 Full Council is asked to approve, subject to the Bill receiving Royal Assent, that the following council tax premiums be applied from 1 April 24, or as soon as possible thereafter, subject to the required legislation being in place:

- 100% premium for properties which have been empty and unfurnished for a period of between 1 (previously 2) and 5 years
- 100% premium (or the % limit as specified in any regulations) for properties that are substantially furnished but where there is no resident (often referred to as 'second homes').

8.6 Further details can be found at Appendix 12.

9. Dedicated Schools Grant

9.1 A summary of the planned use and distribution of the Dedicated Schools Grant (DSG) is incorporated within this report and the full report and associated appendices including the equality impact assessment can be accessed here: DSG 23-24 budget papers

9.2 The DSG is calculated based on the following 4 funding blocks: Schools Block, High Needs Block, Central Services Block and Early Years. The overall headline increase in the 2023/24 DSG is £29.8 million (7.0%) giving a total DSG of £453.2 million.

9.3 The table below provides a high-level description for each block and shows the annual changes in funding. Please note this does not include Mainstream Schools Additional Grant (MSAG); which is part of the government's £2 billion (£1.6 bn schools') budget uplift announced in the Autumn Statement, where Bristol's indicative allocation to schools' is circa £10.7 million, further details on School Level Allocation will be available in Spring 2023. The additional High Need Block allocation (England total: £400m; Bristol allocation £3.3m) is already in the DSG block allocation summarised in the table below.

Table 17: DSG funding allocation by block

Block	Purpose	22/23 Allocation as at Nov22 £m	23/24 Allocation as at Dec22 £m	Increase (+) £m	Increase (+) %
Schools Block	For distribution through the formula for mainstream schools and academies and for growth in schools	306.192	325.478	19.287	6.3%
Central School Services Block	For local authority core functions, admissions, and historic commitments	2.742	2.717	(0.025)	(0.9%)
High Needs Block	Funding for pupils with special educational needs in mainstream, special and out-borough schools, for pupils in alternative provision and local authority or commissioned services for high needs pupils	78.466	86.504	8.038	10.2%
Early Years Block	Funding for distribution to Early Years settings for 2-3 and 4 year old early years provision, with some provision for central oversight and co-ordination	35.987	38.526	2.539	7.1%
Total DSG Allocation		**423.388**	**453.226**	**29.838**	**7.0%**

Schools Block

9.4 The Schools Block total is £325.478 million and made up of the following:

- Pupil led DSG funding £312.4 million - this is the sum allocated to the LA based on the number of pupils recorded in the October 2022 census
- Premises led funding £10.9 million - element of the Schools Block DSG that recognises costs not defined by NFF values
- Growth Funding £2.2 million - allocation intended to meet the cost of both the growth fund and the additional cost of those pupils in growing schools not yet present in the school census
- This does not include Mainstream Schools Additional Grant (MSAG) where Bristol's indication allocation is £10.7 million as part of the government's £2 billion (£1.6bn) budget uplift announcement in the Autumn Statement to address cost of living pressures

9.5 The DSG allocation as advised by the Education and Skills Funding Agency, takes into account the increase in minimum funding per pupil and the National Funding Formula (NFF). Included in this allocation is funding for teacher's pay and pensions increases that was previously made via grant funding.

9.6 The October 2022 census had 35,001 primary pupils, a decrease of 359 (1.0%) from 35,360 in October 2021; with secondary pupil numbers increasing by 797.17 (3.9%) to 21,376.17. Of the 126 Bristol schools, 50 schools have a reduction in pupil numbers on roll (NOR) in 2023/24, whilst four are static and 72 have increased NOR. The Minimum per Pupil funding levels were made a mandatory item in the formula and the rates are dictated by the NFF. For 2022/23 the primary rate is £4,405 and £5,715 for secondary school pupils.

9.7 In developing the formula for 2023/24, following consultation with Schools, the Schools Forum agreed the following principles:

- The transfer of 0.5% of the Schools Block to the High Needs Block
- £2.0 million top-slice of Schools Block to create the Growth Fund for 2023/24
- The Minimum Funding Guarantee (MFG) to be set at +0.0%
- The lump sum to be preserved at £126,627 for both Primary and Secondary
- Any remaining funding directed to the Additional Education Needs (AEN) factors

9.8 Transfer 0.5% of Schools Block to High Needs Block £1.5 million - Schools Forum agreed to the transfer of 0.5% of the Schools Block to the High Needs Block at its meeting in November 2022 and the funding is to be earmarked to support the Education Transformation journey. Please note that this is the maximum threshold and any amount beyond 0.5% would require Secretary of State approval.

9.9 Growth Fund allocation £2.0 million - this funding is the top-slice of the Schools Block taken in order to fund growth expansions in existing schools for the following academic year, separate to the growth commitment in “new and growing” schools” which is funded within the formula mechanism. The commitment for 2022/23 is estimated at £1.2 million, leaving £0.8 million for new commitments that may arise during the admissions round.

9.10 Following the deduction of the two areas above the balance remaining for Mainstream Schools formula is £321.8 million, including the mandated elements of the formula.

9.11 The Minimum Funding Guarantee was set at +0.0% in line with prior year, and within the average overall increase, individual schools will receive more or less funding, depending on the impact of the changes in the formula and pupil numbers.

9.12 Subject to approval of the draft formula by the ESFA, overall 105 of the 126 schools are set to receive an increase in cash funding in 2023/24, whilst 21 out of the126 schools will receive less funding than in 2022/23. In all 21 schools that will receive a reduction in funding this is being driven by a reduction in pupil numbers on roll that more than offsets per-pupil funding gains in the formula.

9.13 Full details of the Schools Block allocation and funding formula can be viewed by the hyperlink in paragraph 9.1 above.

High Needs Block

9.14 The DSG is forecasted to start the year with a brought forward deficit and the key financial pressure within the DSG is in the High Needs Block. The High Needs year end deficit is currently forecasted to be £44.5 million. It is anticipated that the High Needs block will continue to experience significant pressures as the council works through the DSG Management Plan (DSG MP) mitigation proposals which could result in a potential reduction of spend up to £12 million if implemented. As the DSG MP is currently still in production along with the ESFA DBV Programme (Delivering Better for SEND), it is assumed that no financial benefits will be delivered in 2023/24. Hence, the High Needs Block in year deficit is assumed to be circa £18.6 million based on current CYP needs.

9.15 With agreement from the Schools Forum, £1.6 million (0.5%) is proposed for transfer from the Schools Block to the High Needs Block to support the Education Transformation Programme, with clear and transparent reporting to Schools Forum. This funding will not be used to support general High Needs activities or deficit but as agreed will be used to support the continuing work and aims of the Education transformation journey alongside the ESFA DBV programme, focused on the continuing improvement in SEND provision, sustainable school-led programmes and addressing the deficit in the High Needs Block. It is noteworthy that 2023/24 may be the last year that this flexibility will be allowed as the DfE has already consulted on the introduction of the Hard National Funding Formula from 2023/24 which would remove local flexibility.

9.16 After taking account of 0.5% block transfer and revised funding allocations for 2023/24 (including an additional allocation of £3.3 million for Bristol out of England's total £400 million for High Needs as part of the government's £2 billion schools' budget uplift announced in the Autumn Statement), and latest forecast position reported in period 8, the funding for the High Needs Block is £79.997 million in 2022/23 increasing to £88.131 million in 2023/24. This is equivalent to an £8.1 million increase but still not sufficient to cover the in-year forecast deficit of £18.2 million, neither can it cover historic deficit carried forward.

Table 18: High Needs Block forecast

High Needs Block	Prior Years £m	22/23 £m	23/24 £m
Total Annual Funding (Incl. Block Transfers)		79.997	88.131
Estimated Budget Requirement		(98.912)	(106.752)
Net Annual HNB Deficit		(18.175)	(18.621)
Accumulated HNB Deficit	**(25.618)**	**(44.533)**	**(63.154)**

Early Years Block

9.17 The allocation for Early Years for 2023/24 is £38.526 million (7.1%, £2.5m more than prior year). This allocation is still indicative at this stage as the majority of the funding in this block is based on census data in January 2022 and January

2023, and the actual amount will be updated by ESFA once these census figures are known.

9.18 Following sector consultation, the funding allocation for the early years section is as below:

- The funding for 3 & 4 year olds increased by 6p (or 1.2%) at a rate £5.75 and this uplift will be passed on in full to providers. As a result the base rate to providers will increase by 6p to £4.94 in 2023/24. This is in effect a real terms cut for the sector which has experienced minimal support through the pandemic
- For 2 year olds, the rate has increased by 9p (or 1.5%) to £5.89, this increase will be passed on in full to providers (increase from £5.80 to £5.89). In line with the prior year, £0.03 will be retained for central administration
- The indicative Maintained Nursery School supplementary funding has increased by £1.5 million in 2023/24 due to the 243% rate uplift from 98p in 2022/23 to £2.38 in 2023/24 allocation

9.19 The council will continue to support nursery schools in seeking a fair government settlement for Early Years providers.

Central Services Block

9.20 The Central Services Block (CSSB) provides funding for the statutory duties the council holds for both maintained schools and academies. The CSSB brings together:

- Funding previously allocated through the retained duties element of the Education Services Grant (ESG)
- Funding for ongoing central functions, such as admissions, previously top-sliced from the Schools block
- Residual funding for historic commitments, previously top-sliced from the Schools block

9.21 The council has proposed a CSSB allocation for 2022/23 of £2.717 million which has been agreed by the Schools Forum, who is the decision maker in this regard. This total is composed of two distinct components:

- on-going functions £1.171 million which has increased by 2.8% from 2022/23 (£1.139m); and
- historic commitments £0.477 million, decrease of 20% from £0.596 million in 2022/23

This is due to the ESFA proposal to withdraw the historic element over time and this funding is insufficient to support the contribution to combined services delivered at this level.

9.22 The overall CSSB allocation for 2022/23 has reduced by 0.9% or £0.030 million and as a result there will be no spare funding available for transfer into the High Needs Budget in 2022/23.

Overall DSG

9.23 The DSG is forecasted (period 8) to start the year with a brought forward deficit of £24.7 million and the key financial pressure within the DSG is in the High Needs Block. The. overall DSG for 2022/23 is £423.338 million, with estimated 2022/23 spend of £442.162 million. The DSG cumulative deficit is forecast to reach £43.5 million by the end of 2022/23; including £24.7 million brought forward deficit balance from the previous year.

9.24 Under DSG regulations this will need to be "made good" in future years from the DSG allocations.

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

Table 19: Forecast block budgets after movement between blocks and carry forward amounts

DSG Block	Balance brought forward from 22/23 (forecast) £m	23/24 allocation @ Dec22 £m	Movement Between Blocks £m	Final DSG 23/24 Allocation £m	Estimated Spend 23/24 £m	C/Fwd Balance £m
Schools Block	(0.557)	(325.478)	**1.627**	(323.851)	**323.851**	(0.557)
Delegation	(0.504)	-	-	-	-	(0.504)
Central School Services Block	0.008	(2.717)	-	(2.717)	**2.709**	-
High Needs Block & Transformation	44.533	(86.504)	**(1.627)**	(88.131)	**106.752**	63.154
Early Years Block	(0.004)	(38.526)	-	(38.526)	**38.743**	0.213
Total DSG Allocation	**43.468**	**(453.225)**	-	**(453.225)**	**472.056**	**62.306**

9.26 Although the additional funding is clearly welcome it is significantly below the expenditure currently being incurred and leaves no growth or additional funding to address the deficit. No clarity has been provided by the DfE about how, when and if this will be funded in the longer term. Whilst the council "carries" this deficit by means of a negative reserve it is a significant risk to both the council and to schools.

9.27 The DSG Deficit Management Plan is an iterative document which could subject to change, will set out how the deficit will be managed and reduced in the longer term. The plan will continue to be updated throughout 2023/24 and beyond, presented to Schools Forum on a termly basis. Summary of financial position in latest version (September 2022) of DSG MP is available in the table below and can be accessed via link: September 22 SF

Table 20: Summary of financial position - DSG

Overall DSG position (pre recoupment total) Income/surplus should be shown as negative	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000
Carried Forward Unmitigated deficit	**£24,650**	**£44,556**	**£63,177**	**£80,871**	**£98,579**	**£114,732**
Total expenditure	£443,435	£460,570	£464,887	£467,391	£468,399	£468,399
Total income	-£423,529	-£441,948	-£447,193	-£449,683	-£452,247	-£454,888
Funding Gap	**£44,556**	**£63,177**	**£80,871**	**£98,579**	**£114,732**	**£128,242**
Carried Forward Indicative proposals			-£3,075	-£12,040	-£23,512	-£36,086
Annual Indicative Proposed Mitigations	**£0**	-£3,075	-£8,965	-£11,473	-£12,574	-£12,574
Funding Gap after mitigations applied	**£44,556**	**£66,251**	**£68,832**	**£75,067**	**£78,645**	**£79,582**

Work is underway to further develop the DSG Deficit Management Plan (DSG MP). The DSG MP is a comprehensive tool that has been produced by the Department for Education to enable LAs to:

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

9.28 In order to deliver, the service needs to be on a sustainable footing. Work and collaboration continue with the education transformation key stakeholders' working group in conjunction with the ESFA DBV programme, to finalise early mitigation proposals. Further work and engagement will be required thereafter, and where appropriate consultation on the co-design of these potential mitigations for development and implementation in subsequent years. The DSG management plan submitted to September 2022 Schools Forum can be accessed via the following link: **September 2022 SF papers**

9.29 Schools Forum considered the proposals on the use and distribution of the available funding at its meeting on 12 January 2023, with final comments noted with this report.

10. Public Health Grant

10.1 The annual Public Health grant is currently provided to the local authority by the Department of Health and Social Care. The grant is ring-fenced for use on public health functions as specified in the National Health Service Act 2006. This may include public health challenges for example, arising directly or indirectly from coronavirus (Covid-19).

10.2 As set out in the Director of Public Health annual report Director of Public Health annual report 2022 (bristol.gov.uk) the public health grant has a key role to play in improving health by funding vital services, such as smoking cessation, drug and alcohol services, children's health services, as well as broader public health support across local authorities and the NHS.

10.3 The grant allocation for 2022/23 was £34.6 million. The allocations for 2023/24 are yet to be announced, whilst there may be a small uplift planning assumptions at this stage indicate a cash flat position.

Table 21: Public Health budget 2023/24

Public Health Budget 2023/24	Total expenditure £m	Total Income £m	Net Current expenditure £m
Sexual health services - STI testing and treatment (prescribed functions)	5.08	(2.76)	2.32
Sexual health services - Contraception (prescribed functions)	3.66	(1.77)	1.89
Sexual health services - Promotion, prevention and advice (non-prescribed functions)	0.61	(0.03)	0.58
NHS health check programme (prescribed functions)	0.44	-	0.44
Health protection - Local authority role in health protection (prescribed functions)	0.47	-	0.47
National child measurement programme (prescribed functions)	0.23	(0.04)	0.20
Public health advice to NHS commissioners (prescribed functions)	0.11	-	0.11
Obesity - adults	0.11	-	0.11
Obesity - children	0.11	-	0.11
Physical activity - adults	0.61	(0.06)	0.54
Physical activity - children	0.61	(0.06)	0.54
Substance misuse - Treatment for drug misuse in adults	6.86	(0.03)	6.82
Substance misuse - Treatment for alcohol misuse in adults	2.57	(0.01)	2.55
Substance misuse - Preventing and reducing harm from drug misuse in adults	0.04	-	0.04
Substance misuse - Preventing and reducing harm from alcohol misuse in adults	0.12	-	0.12
Substance misuse - Specialist drug and alcohol misuse services for children and young people	0.17	-	0.17
Smoking and tobacco - Stop smoking services and interventions	0.40	-	0.40
Smoking and tobacco - Wider tobacco control	0.05	-	0.05
Children 5–19 public health programmes	1.99	(0.28)	1.71
Mandated 0-5 children's services (prescribed functions)	9.80	(1.55)	8.25
All Other 0-5 children's services (non-prescribed functions)	1.52	-	1.52
Public mental health	0.04	-	0.04
Miscellaneous public health services - other	5.55	-	5.55
Reserve	-	(0.01)	(0.01)
TOTAL PUBLIC HEALTH BUDGET	**41.15**	**(6.61)**	**34.54**

Note - indicative budget subject to final PH grant settlement and assumes that should additional funding not be received the PH reserve of £14,045 will be utilised to balance back to 2022/23 PH grant level .

10.4 The Public Health grant is ring-fenced and operates on a principal of self-funding, as such Public Health will seek to contain the additional costs and any new

burdens directly associated with the funding. Within the council's earmarked reserve is a Public Health ring-fenced reserve of £3.84 million as at 1 April 2022. The reserve is currently being used to support Public Health priorities which may be subject to risk of inflationary pressures and unexpected adverse grant allocations following an announcement or other in year variations.

11. Housing Revenue Account

11.1 A summary of the Housing Revenue Account (HRA) budget proposals is incorporated within this report and the full report, associated appendices including the specific equality impact assessment and consultation report can be accessed here: HRA Cabinet and appendices.

11.2 Housing Revenue Account (HRA) covers all activities of the council as landlord. It is a ring-fenced self-financing account, where the council retains all rental income but must finance all capital and revenue costs associated with its existing and new housing stock. The HRA must be balanced annually with no cross-subsidy between the revenue cost of services provided through the General Fund and the HRA, although there are many services provided to both, paid for through recharges.

11.3 The HRA has a housing stock of circa 28,600 (26,800 rented and 1,800 leasehold properties in blocks where the council continues to maintain the common areas and the fabric of the building). In addition, it manages approximately 1,600 garages and owns a small number of other assets, such as commercial units.

11.4 The council has set a budget for the next financial year to ensure that the HRA can deliver its essential repairs, maintenance, and improvements to the housing stock, as well as being able to meet current and forthcoming legislative requirements and a sustainable long-term business plan model, which takes account of capital investment needs over the next 30 years.

11.5 The main source of funding for the HRA is rents and service charges. The current average weekly rent for a council home in Bristol is £84.82, whereas the average social rent in England is £94.31. The 2023/24 budget proposes a rent increase of 7% instead of the previously assumed uplift of CPI + 1 (11.1%) in line with the Rent Standard. Due to the high level of inflation this year, the government went out to consultation to temporarily amend the CPI plus 1% policy in the autumn statement, announcing that rents would be capped at 7%. This means average weekly rents will rise to £90.76.

11.6 A Service Charge is a payment made for services received in connection with the occupation of a home. The charge should aim to recover all reasonable costs in delivering the services. Service charge recovery is covered by legislation, contractual obligations and case law. Cabinet has authorised the Executive Director of Growth and Regeneration, in consultation with the Cabinet Member for Housing Delivery and Homes, to increase and set service charges in line with the anticipated and actual cost of delivery.

11.7 The HRA revenue budget is based on forecast revenue income and for 2023/24 the budget is £137.4 million (£10 million increase 2022/23), compromising of £125.5 million rental income (net, after allowing for rent loss for empty properties),

£10.7 million service charges (based on actual costs, plus an inflationary uplift) and £1.2 million charges for other assets, including garages, shops, and interest on balances.

11.8 The HRA Revenue expenditure includes estates and housing services, repairs, maintenance and improvements to council housing, including compliance safety programmes and supervision and management functions. There is significant inflationary uplift in costs, particularly for materials, utilities (gas and electricity) and for new contracts. This has particularly impacted budget requirements for repairing, maintaining and improving homes and blocks, including fire safety works. A drawdown from the HRA general reserves of £6.5 million will be required to cover the one-off fire safety (Waking Watch) cost.

11.9 The 2023/24 budget is outlined in the table below with a prior year comparator.

Table 22: HRA 2023/24 revenue budget summary and comparison to 22/23

Proposed 2023/24 HRA Budget Income and Expenditure	2022-23 Budget £000	2022-23 P8 Forecast £000	2023-24 Proposed Budget £000	Movement £'000
Dwelling rents	(118,262)	(117,822)	(127,153)	(9,331)
Voids	1,253	1,421	1,637	216
Non-dwelling rents	(1,219)	(1,013)	(1,115)	(102)
Charges for services and facilities	(9,823)	(9,847)	(10,735)	(888)
Contributions towards expenditure	0	(50)	0	50
TOTAL INCOME	**(128,051)**	**(127,311)**	**(137,365)**	**(10,054)**
Repairs & Maintenance	37,214	35,564	40,058	4,494
Supervision & Management	32,021	32,444	34,953	2,509
Special Services	11,518	14,958	16,431	1,473
Rents, rates, taxes and other charges	595	793	851	58
Depreciation & impairment of non-current assets	30,357	31,067	31,258	191
Debt management	41	41	41	0
Movement in doubtful debt provision	1,774	1,773	1,370	(403)
TOTAL EXPENDITURE - CORE SERVICES	**113,520**	**116,640**	**124,962**	**8,323**
NET COST OF CORE HRA SERVICES	**(14,530)**	**(10,671)**	**(12,403)**	**(1,732)**
Interest and investment income		(170)	(457)	(287)
Net interest payable, pension costs and other non operational charges	11,043	11,441	11,374	(68)
Capital expenditure funded from revenue	3,487	0	0	0
(Surplus) / Deficit for the year on HRA services	**0**	**600**	**(1,486)**	**(2,086)**
Waking Watch	0	4,085	8,000	3,915
Draw down from reserve		(4,685)	(6,514)	(1,828)
NET	**0**	**0**	**0**	**0**

11.10 The reasons for movement on the HRA budget between 2022/23 and 2023/24 are:

- Rents - the proposed budget assumes that rents are increased by 7%, generating an additional £9.3 million in income in 2023/24
- Net cost of HRA services – The authority is experiencing cost inflation of up to 20% for various services including utilities, materials and contractor costs. The increase in the budget for 2023/24 is due to the additional planned programmes in the Housing Investment Plan (HIP) which is funded via the revenue income generate and fire safety works
- Depreciation - is the calculated level of basic re-investment needed to keep homes in reasonable repair (calculated using lifecycles / element costs as per our investment planning approach). This sets the minimum level of revenue funding to capital investment in homes to be applied in that year (or set aside in a separate reserve account to be invested in homes in the future). Depreciation is shown as an expenditure item in revenue, and an income item in capital

Capital Programme Expenditure

11.11 The overall HRA capital programme for 2023/24 to 2032/33 is £1,513 million. The full details can be accessed via the hyperlink to the Cabinet reports in section 11.1, the overview is provided in section 3 and Appendix 2 to this report and in relation to the 30 year business plan model is covered in the section below.

The 30 Year Business Plan model

11.12 The 30-year business plan model communicates a vision for the future of council housing; setting out a long-term pathway which builds on the past legislative changes such as the abolition of the HRA debt cap, and the introduction of greater flexibilities around the reinvestment of Right to Buy receipts. The model has been developed to provide agility and flexibility within the context of a longer term strategic and resource planning process and against a backdrop of increasing demand and major national policy change.

11.13 The Plan was last revised in January 2022 and this report provides an update on the refreshed business plan, reflecting the delivery of the new build programme; current policy and finances (including the 7% cap on rent increases for 2023/24); increased borrowing costs & inflation. It also outlines the council's continued ambitions to build more council homes, invest in improving the quality of current stock and improve energy efficiency.

11.14 It is proposed that the HRA will increase its investment in new council homes, delivering 1,715 new council homes to support city aspirations in delivering more affordable housing by 2027/28 and to then develop or acquire 300 council homes a year over the lifetime of the business plan model.

11.15 The proposed levels of investment in existing stock will rely on subsequent decisions, taken annually, regarding rent increases for council tenants. Government policy regarding rents is unknown beyond April 2025. Should the existing policy of allowing above inflationary increases continue, and the council chooses to apply this, any funding generated would be used to improve the condition of the existing stock. This would include extending the bathroom

replacement programme and increased investment in communal areas, blocks and estates beyond 2027.

11.16 The plan provides a robust base upon which to analyse future debt capacity levels and the council can affect future operating surpluses through effective cost management and this would increase borrowing capacity. Similarly, increases in inflation and in particular rent inflation would add significantly to future capacity to enable investment in the existing stock.

11.17 The Business Plan model should provide a sound basis for the council to inform its future approach to establishing a decision-making framework for its HRA investment and development strategies.

11.18 The 30-year business plan model is based on the following overarching principles and key assumptions:

- Core inflation projected at 10.1% for April 2023, 5% for April 2024 and then 2.0% thereafter
- Rents increasing at 7% in April 2023, then CPI plus 1% between 2024/25 - 2027/28, and then CPI thereafter. All new re-lets are charged at formula rent levels
- Depreciation provision increasing at CPI throughout and adjusted based on stock numbers
- Maintenance of the existing tenanted stock (subject to Right to Buy sales and inflation) is modelled at a total of £2,066.2 million over the 30 years using the latest HIP figures
- £80 million of investment in energy efficiency over to bring properties up to EPC rating C by 2030
- £8.7 million of investment over 5 years for improvements to communal blocks and estates
- £12.5 million over the MTFP for a bathroom replacement programme in council homes by 2027
- £453 million from 2023/4 over 5 years - a range of new development schemes delivering a total of 1,715 of new council properties
- £2 billion invested into delivering new council homes over the lifetime of the plan
- The inclusion of loans directly attributable to the HRA totalling £244.6 million.

11.19 The HRA will require projected borrowing totalling £623.7 million over years 1 to 10 of the plan to deliver the new developments and additional investment in the existing stock. The prudential borrowing limits for the HRA is based on a maximum Interest Cover Ratio of 1.25, whilst ensuring that minimum balances are held within both the HRA, Major Repairs (£10m) and General Reserve (£21m; being the equivalent of 3 months cashflow) and that newly arising debt has a provision modelled to repay over a timeframe and that this new borrowing is not refinanced.

HRA Reserves

11.20 As at the beginning of 2022/23 the HRA General Reserve balance was £102 million (estimated £80.8m, 1 April 2023) and the Unapplied Capital Reserves

balance was £67.6 million. The 2023/24 budget proposal assumes that £54.2 million of the General HRA reserve (£6.5m to fund one-off revenue cost) and £24.6 million of the Unapplied Capital Receipts Reserve will be utilised in the year in order to fund the Capital Programme.

11.21 This would leave a balance on the General Reserve of £26.6 million as at 31 March 2024 and £59.1 million on the Capital Receipts reserve. The HRA will maintain a minimum level of reserves on the General Reserve at £21 million and a further £10 million on the Major Repairs Reserve. The application and use of reserves supports the achievement of service delivery and improvements to housing stock.

12. West of England Combined Authority (WECA)

12.1 The West of England Combined Authority was formed in 2017 by Bath and North East Somerset, Bristol and South Gloucestershire councils. Initial financial benefits were part of a devolution deal initially bringing £900 million of new investment funding and significant powers into the region. Since its formation, over £1.7 billion of new funding has been secured for the region.

12.2 With local councils facing continued financial challenges, this additional funding secured by the Combined Authority is providing added value for our region's councils; bringing forward investments and programmes which would not have been possible otherwise. The success of the Combined Authority in securing significant new funding – which would not be available to councils – is helping us support people and businesses across the West of England.

12.3 The Combined Authority is working to improve public transport thanks to £540 million secured from government through a successful City Region Sustainable Transport Settlement. This was the highest amount per head awarded anywhere in England.

12.4 The West of England Combined Authority has secured the following key additional investment for our region:

- £694 million for major transport schemes
- £2.9 million emergency active travel funding (cycling and walking) additional to the Active Travel Fund of £5.8 million
- £54 million for MetroWest Phase 1 and 2
- £24 million for a Future Transport Zone
- £4 million for the Multiply Programme
- £10 million from the UK Shared Prosperity Fund
- £95 million for Bristol Temple Quarter from Homes England
- £75 million from our business rates retention*
- Around £16 million per annum to invest in adult education
- £8 million to help SMEs plan and support their current and future workforce
- £81 million for Net Zero and Green Homes projects
- £15 million for Business Skills and Delivery
- £10 million for Skills Bootcamps
- £5 million to run the Combined Authority

** 100% of business rates growth are kept in the region – 5% to the West of England Combined Authority. This figure is based on estimated activity.*

12.5 Operating the Combined Authority incurs no additional costs to our constituent councils, because it is entirely funded through government grants and a small element of regional business rates retention growth (which would not have been available without forming the Combined Authority).

12.6 The West of England is an economic leader and remains key to the UK's recovery from the impact of Covid-19. The Combined Authority continues to support our region's residents and businesses post Covid-19 and is taking action to help people and businesses affected. The West England Combined Authority is working with its constituent councils, other regional partners and government, to ensure people and businesses across the region are getting the support they need.

12.7 The West of England Combined Authority has five key mayoral priorities, which the budget will support as listed below:

a. Create West of England Sustainable Transport
b. Tackle the climate & ecological emergency
c. Secure decent jobs and training
d. Increase the availability of affordable places to call home
e. Put the West of England on the map for national and global success

12.8 The Budget for the Combined Authority will be set on 27 January 2023 by the West of England Combined Authority Committee – at the time of writing the budget assumptions set out below are based upon the Combined Authority Budget proposals and are subject to the outcome of the above meeting. The following elements of the West of England Combined Authority Budget and medium-term financial plan have therefore been incorporated within the council budget proposal:

- An annual revenue transport levy to reflect the cost of the core regional Integrated Transport services of:
- Concessionary Travel
- Real Time Information for bus services
- Community Transport
- Bus Service Information
- Supported Bus Services (whilst remaining a joint function with the constituent councils)
- TravelWest and
- Metrobus operations

12.9 The levy charge for 2023/24 remains unchanged at £10.2million (2022/23 levels). Unitary Authority levies are pooled by the Combined Authority's Transport Integration Team and managed on a regional basis. Projected surpluses or deficits are managed on a regional basis and a transport smoothing reserve has been created to help manage financial risk.

12.10 The West of England Combined Authority has maintained payments to bus operators in line with budgeted profile level which has helped to stabilise the provider base through extended periods of significantly reduced patronage. This

arrangement is expected to continue in 2023/24 subject to a scheduled committee meeting to discuss the plans moving forward.

12.11 Within the City Region Sustainable Transport Programme, the Combined Authority will passport £25 million per annum of capital funding to the West of England Unitary Authorities to provide Highways Maintenance and Transport Improvement Grants. The council's share is £9.272 million for 2023/24.

12.12 The published West of England Combined Authority investment programme will continue to support a number of projects and initiatives for our Unitary Authority throughout 2023/24 including:

- Bristol City Centre & High Streets
- WE Work for Everyone
- Reboot West
- Bristol High Streets - Bedminster
- South Bristol Enterprise Support
- Realising Talent [NEET]
- Local CEIAG Action Research
- High Street regeneration
- Other Transport schemes, include CRSTS

12.13 These are funded from the additional investment funds received by the West of England Combined Authority as part of the devolution arrangements and reflected accordingly with the councils' revenue and capital budget proposals. Further bids for infrastructure funding may be made in line with the Combined Authority's Strategy and Local Growth Assurance Framework and may come forward for inclusion in the capital programme in line with future delivery arrangements.

12.14 Alongside specific projects, West of England Combined Authority will continue to develop, and progress, key longer term strategic initiatives including mass transit options, strategic rail investment and spatial planning to enable clean and green sustainable growth.

12.15 The Combined Authority is not currently permitted to raise council tax to fund any of its activity and therefore no precept will be requested.

12.16 Full details of the West of England Combined Authority Budget proposals are available at www.westofengland-ca.gov.uk

13. Capital Programme 2023/24 to 2032/33

13.1 The council plays a key role in investing in the infrastructure of the city and its communities; providing facilities for local people to use as well as stimulating investment to support growth in housing and business premises that provide jobs and opportunities. This role becomes even more essential in a post Covid-19 world where the cost of living crisis is impacting many residents and businesses.

13.2 The council's capital strategy which was approved in November 2022 is aligned to the financing principles set out in the MTFP, ensuring that the development of

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

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

13.3 The latest update to the council's capital strategy included strict criteria and affordability rations which have been adhered to in developing the draft capital programme. These include:

- Working within agreed affordability principles for the General Fund (capital financing costs no more than 10% of net revenue budget), HRA (an interest cover ratio of at least 1.25) and loan exposure to the council's subsidiaries
- Guidance on investments and how Net Present value (NPV) calculation methodologies should be utilised

13.4 The council has an ambitious capital programme over the next ten years. A significant proportion of this programme is aligned to large infrastructure investments that will support long term regeneration across the city, such as programmes of new housing building and developing the Temple Quarter area. This is balanced against areas which will support improvements in on-going council services such as investing in infrastructure to support delivery of Social Care and Education services. In addition, the council has identified investment for decarbonisation initiatives, enablers for transformation and invest to save opportunities.

13.5 The development of the capital programme for 2023/24 to 2032/33 has been within the parameters of the capital strategy and guided by the following approach set out in the approval of the MTFP by Council in October 2022:

- No additional revenue resources are available to finance new borrowing
- Under the current capital programme the council is forecast to have 9.9% of the revenue budget allocated for capital financing by 2027/28 which leaves little room for contingencies as the council has committed to no more than 10% of the revenue budget to be allocated for capital financing (mentioned previously). As a result there is limited scope to borrow additional money to fund additional capital expenditure.

13.6 In addition to this there are a number of pressures on the existing capital programme. These include service pressures from Bristol Beacon and Youth Zones schemes as well as a general inflationary pressure due to the economic environment, particularly in relation to infrastructure investments. These pressures amount to £60.5m over the life of the capital programme. As a result of this, a re-profiling of the existing capital programme has been undertaken to create headroom and fund the additional pressures given that there is limited scope to borrow to fund the pressure.

13.7 A thorough review of the existing capital programme has been undertaken to identify headroom for re-direction of council funding into the contingencies and managing risk in the capital programme. The review consisted of workshops, and subsequent follow up sessions with capital scheme managers. :

13.8 A robust and rigorous review was undertaken to re-profile the capital spending across financial years on all schemes in the capital programme based on a realistic assessment of expected project delivery/implementation timescales taking into account known risks. This review resulted in £26.6 million of spend in future financial years being re-profiled, reduced or alternative funding being explored. The list of amendments as a result of the reprioritisation exercise are shown below:

Table 23: Capital reprioritisation results

Programme Reference	Scheme / Programme	Budget £m	Amount released £m	Reduce/Alternative funding/Stop
External funding identified				
GR01	Station Approach	4.250	4.250	External funding identified.
PL32	Western Harbour Development	0.480	0.200	External funding identified.
Alternative funding				
PE06	Switch of Funding of Children Centres and Adult Social Care better lives at homes programme to invest to save	5.960	5.960	Alternative funding-borrowing substituted with invest to save revenue payback.
PI35	Switch of funding to invest to Save - harbour infrastructure	0.892	0.892	Alternative funding-borrowing substituted with invest to save revenue payback.
Scheme Complete				
NH04	Third Household Waste Recycling and Re-use Centre	1.561	0.130	Scheme complete and funds released
PL30	BCC Enabling Role (support disposal of land for delivery of self-build housing)	0.921	0.090	Scheme complete and funds released
Historic Scheme with no mandate				
NH03	Cemeteries & Crematoria	4.300	4.300	Historic pending schemes with no mandate/business case
PL15	Environmental Programmes	0.330	0.330	Historic pending schemes with no mandate/business case
Reprofile Schemes				

PL21	Property Maintenance*	9.500	3.500	Reduced budget to reflect smaller estate.
NH02	Investment in parks and green spaces*	6.210	1.000	Reprofile spend
PL30	Hengrove Park - £2m Enabling, Design & Planning Stage	1.965	0.700	Reprofile based on lower estimate
PL30	Hengrove Park	0.668	0.300	Reprofile based on lower estimate
PL30	Gainsborough Square	0.212	0.212	Reprofile based on lower estimate
PL30	BCC Registered Provider Grants	17.886	2.349	Reprofile based on lower estimates/commitments
CP05	Decarbonisation Fund	19.000	2.000	Holding fund. Reprofile unallocated fund
RE01	ICT Refresh Programme	2.826	0.350	Rescope programme of works
Total		**76.961**	**26.563**	

*These proposals will be subject to EQIA's which will be available ahead of the Cabinet and Full Council meetings

13.9 The £26.6 million released will be added to corporate contingency and schemes will be able to utilise this if they have demonstrated that they have utilised their own contingencies first and attempted to value engineer schemes to come in on budget. This reprofiling exercise will result in a contingency of £62.4 million (13.7%) over the 10 year life of the general fund capital programme. If all currently known pressures were to materialise the remaining contingency would be £15.9 million (3.5%) over this period.

13.10 The council's capital programme includes contingency to manage cost pressures that arise during the development of schemes as they progress through their lifecycle. A contingency is an important element of a capital programme the size and complexity the council has, and it is considered best practice to hold a contingency for unexpected events. During recent years the contingency level has been used to finance cost pressures that have arisen.

13.11 In addition to the above a 10% slippage has been applied to the capital programme in each year. This reflects historic optimism bias in the delivery of programmes and assists in alleviating the pressure in the capital financing budget.

13.12 In accordance with the capital strategy governance process for managing schemes through their lifecycle, new schemes have been identified in Appendix 2 and have been classified as Pending Schemes, along with similar schemes

identified in previous years, and do not form part of the formal capital programme until a full mandate has been completed. In the meantime, funding allocations and their timing are illustrative. Schemes may use the Feasibility Fund to develop their mandate in greater depth.

13.13 The most significant investment schemes in the capital programme 2023/24 to 2032/33 are:

- Investment in the council's housing stock through the Housing Revenue Account (HRA) (£1.5 billion)
- Highways and traffic infrastructure (£52.6 million)
- Housing delivery programme delivered through Goram Homes (£32 million)
- Temple Meads Development (£39 million)
- Bristol Avon Flood Strategy & Investment (£20.4 million)

13.14 The thorough review of the capital programme included an assessment of existing council funded (prudential borrowing and capital receipts) schemes which could utilise strategic Community Infrastructure Levy (CIL). To ensure compliance with the strategic CIL governance regulations, which require allocations to be approved against named schemes, the proposed Capital Programme includes approval for the following schemes:

Table 24: Community Infrastructure Levy (CIL) approved schemes

Strategic CIL Summary	Totals £m
Formally Allocated	
GR08 Bedminster Green Regeneration (£0.4m 2021/22)	(5.605)
PL30 Southmead/Glencoyne Regeneration	(7.000)
PL34 Lawrence Weston Community Hub	(1.000)
NEW Bristol Avon Flood Strategy (BAFS)	(20.395)
Full Council 2022/23 Budget Report 02/03/22 - Approved Schemes	
PL09A Transport Cumberland Rd Stabilisation (Flood Defences) - (£4.8m 2021/22)	(3.200)
CRF2 Youth Zones	(3.600)
Full Council 2022/23 Budget Report 02/03/22 - Awaiting Approval of Business Case	
Cribbs/Patchway New Neighbourhood Development (CPNN) - Transport mitigations	(1.000)
Improvements to Local Centres	(1.500)
Invest in Parks Sports Outdoor Equipment & Facilities	(1.500)
Total allocated	**44.800**

HRA Capital Programme

13.15 The 10-year capital programme includes: Housing Investment Programme to maintain and improve existing stock; a baseline development programme; and a small amount for HRA IT infrastructure and disposal costs.

Table 25: HRA capital budget summary

Reference	Descriptions	2022/23 @ P8	2023/24	2024/25	2025/26	2026/27	2027/28 to 2032/33	TOTAL
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA1	Planned Programme - Major Works	40,877	69,756	92,626	99,185	81,077	364,716	707,360
HRA2	New Build & Land Enabling	25,080	61,738	126,256	118,113	45,712	449,935	801,755
HRA3	HRA Infrastructure	604	1,789	1,302	478	0	0	3,568
	GROSS HRA CAPITAL	66,561	133,283	220,184	217,776	126,789	814,651	1,512,683
	CAPITAL FINANCING							
	Capital Receipts	(11,445)	(24,633)	(29,883)	(32,328)	(13,413)	(56,496)	(156,753)
	Capital Grants	(3,914)	(27,174)	(10,593)	(5,840)	(22,790)	(156,050)	(222,448)
	Prudential Borrowing	0	0	(136,505)	(127,466)	(50,089)	(309,630)	(623,690)
	Major Repair Reserve	(33,969)	(31,258)	(33,196)	(34,444)	(35,419)	(238,087)	(372,404)
	Other Contributions	(1,117)	(2,537)	0	0	0	0	(2,537)
	Reserve & Revenue Contributions	(16,116)	(47,681)	(10,007)	(17,698)	(5,077)	(54,388)	(134,851)
	TOTAL FINANCING	(66,561)	(133,283)	(220,184)	(217,776)	(126,789)	(814,651)	(1,512,683)
	NET HRA CAPITAL PROGRAMME	0	0	0	0	0	0	0

13.16 The HRA development programme (2023/24 to 2027/28) aims to deliver 1,715 council homes, requiring £453 million investment. This rolling programme will see:

- Approximately 1,515 new homes delivered by 2026
- A further 200 are anticipated to 2027

13.17 The 2023/24 capital programme will be financed by a combination of contributions from major repairs and revenue reserves, capital receipts unapplied and external income (Homes England grant, income from sale of shared ownership and pooled Right to Buy receipts).

13.18 Capital receipts are from the sale of council homes under the Right to Buy (RTB) scheme to sitting tenants at a discount. Sales for 2023/24 are forecast to be 109, with an average sale price after discount of £125,000. The receipts will be reinvested to build new council homes, enabling a greater percentage to be retained.

General Fund Capital Programme

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

13.20 As noted above the council has significant capital investment requirements in its HRA housing stock, which includes regular planned maintenance and refurbishments to existing assets as well as programmes to deliver new housing stock. The capital programme includes the relevant aspects of the first 10 years of the 30 year HRA Business Plan model.

13.21 The council must ensure sufficient funding is available to meet the requirements of the agreed projects within its Treasury Management Strategy, which is reviewed annually and updated to reflect projects as they are refined or become

ready for delivery. The Treasury Management Strategy is set out as Appendix 4 to this report.

13.22 The table and graphs below summarise our current capital spending plans for the next ten years that total £1,968 million. The detailed draft programme and its financing are set out in Appendix 2.

Table 26: Capital programme summary

22/23 £m	Description	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 to 31/32 £m	Total £m
21.275	People	25.080	32.615	11.534	8,129	0.000	**77.418**
128.699	Growth & Regeneration	109.965	68.417	31.787	25.994	28.272	**264.436**
1.771	Resources	3.494	0.150	0.000	0.000	0.000	**3.644**
11.196	Corporate	9.282	18.211	20.310	10.713	3.950	**62.466**
0.444	Pending Schemes	17.026	14.111	6.998	6.800	3.000	**47.935**
69.702	Housing Revenue Account	133.283	220.184	217.776	126.789	814.651	**1.512.683**
233.087	**Total**	**298.130**	**353.689**	**288.465**	**178.426**	**849.873**	**1,968.583**
	Financed by:						
34.337	Prudential Borrowing	36.911	48.414	26.914	16.724	4.950	**133.913**
62.866	Grant	50.052	24.672	12.823	13.116	3.500	**113.583**
14.318	Capital Receipts (GF)	24.628	13.836	10.750	6.000	0.000	**55.214**
7.003	Developer Contributions	14.327	7.190	6.150	7.025	18.000	**52.691**
2.634	Revenue/Reserves (GF)	-	-	-	-	-	**0.000**
42.226	WECA/Economic Development Fund	38.929	39.394	14.052	8.772	8.772	**109.919**
69.702	Housing Revenue Account	133.283	220.184	217.776	126.789	814.651	**1,512.683**
233.087	**Total**	**298.130**	**353.689**	**288.465**	**178.426**	**849.873**	**1,968.583**

Figure 2: Analysis of capital programme by investment principle

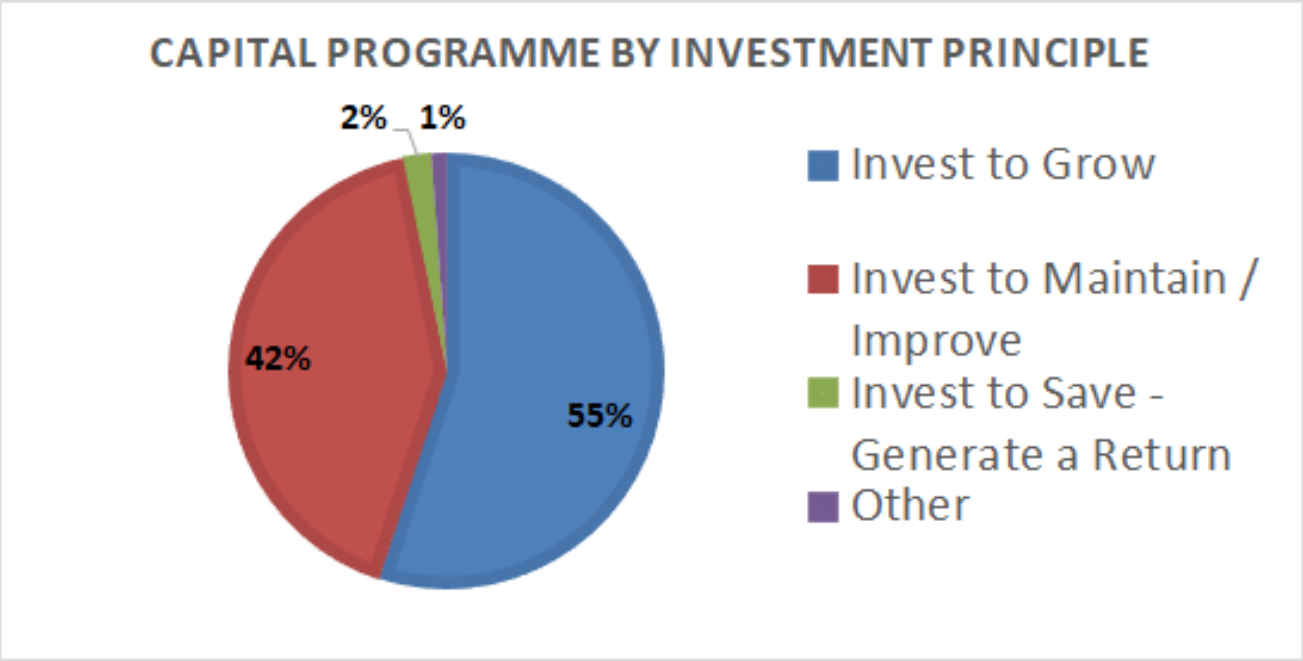
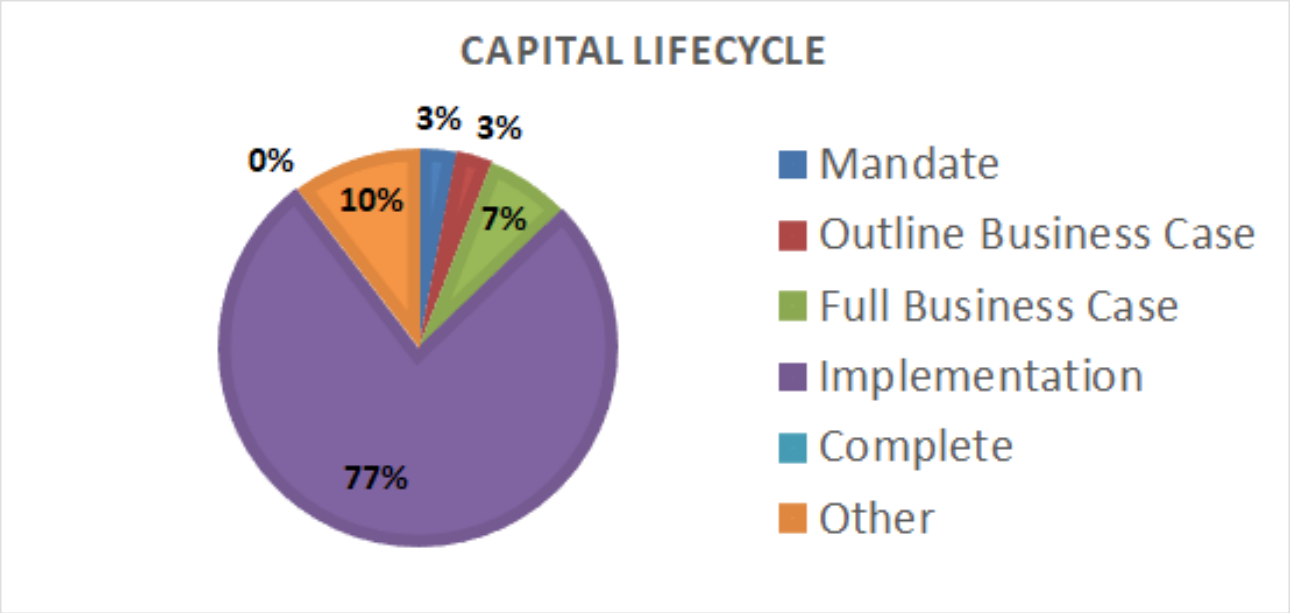


Figure 3: Analysis of capital programme by project lifecycle stage

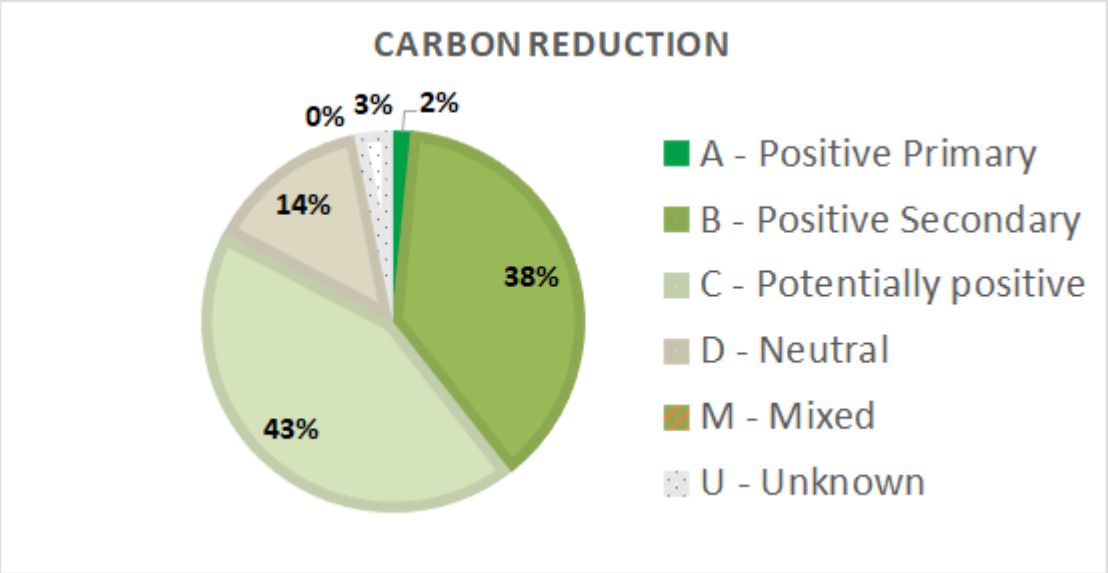


13.23 The council is committed to reducing its carbon footprint. The chart below analyses the schemes in the Capital Programme according to their level of contribution to carbon reduction (analysis based on existing approved Capital Programme plus proposed De-carbonisation Fund).

13.24 The analysis shows that 83% of the capital programme, by cost of scheme, is making a positive contribution towards carbon reduction. The 83% is broken down as schemes where the primary objective has a positive carbon impact (2%), schemes where the key objective is service delivery but has a positive carbon impact as a secondary objective (38%) and schemes where the primary objectives is service delivery but also have a potentially positive carbon impact (43%). It is anticipated in future years' capital programmes an even greater

proportion of the council's capital investment is likely to have a positive impact towards reducing the council's carbon footprint in the city.

Figure 4: Contribution to carbon reduction



14 Treasury Management Strategy

14.1 The council's Treasury Management Strategy, Minimum Revenue Provision Policy, Investment Strategy and Prudential Indicators are set out in Appendix 4. The Treasury Management Strategy incorporates the council's new Ethical & Equitable Investment Policy approved by Cabinet on 16 January 2022.

15 Reserves and Balances

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

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

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

General Reserve

15.4 The purpose of the council's General Reserve will be to meet costs arising from any unplanned or emergency events such as unforeseen financial liabilities or natural disasters. It also acts as a financial buffer to help mitigate against the

financial risks the council faces and can be used to a limited degree to ‘smooth’ expenditure on a one-off basis across years.

15.5 Our General Reserve Policy is that an unallocated general reserve will be retained of at least 5-6% of the net revenue budget.

15.6 The balance of the General Fund Reserve at 31 March 2023 is anticipated to be £28.36 million (5.9% of net revenue budget).

Earmarked Reserves

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

15.8 The opening balance in earmarked reserves on 1 April 2022 was £180.086 million. Draw down in 2022/23 is expected to be £79.379 million, this is predominantly driven by business rates grants, agreed company loans, service and project resources.

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

15.10 The council’s controllable reserves will be held corporately and the use of is subject to a prioritisation process and assessment of the use of the reserve for the approved purpose. Approval of the Section 151 Officer or Deputy Section 151 Officer is required in order to apply the use of earmarked reserves to support revenue expenditure. Each application will require a robust justification and will be assessed based on the planned and approved legitimate use of the reserve and the financial situation of the council at that time and may result in earlier decisions for funding being revisited and amended.

15.11 All reserves are to be reviewed at least annually to determine whether the original purpose for the creation of the reserve still exists and whether or not the reserves should be released in full or in part or require topping up based on known/expected calls upon them. Particular attention will be paid in the annual review to those reserves whose balances have not moved over a twelve-month period.

15.12 The challenging forecasted position in relation to the school’s reserve is covered in the DSG section of the report and within the Section 25 statement provided by the Section 151 Officer.

Table 27: Summary of budgeted movement in reserves

	Estimate 31 March 2022/23 £m	Estimate 31 March 2023/24 £m	Estimate 31 March 2024/25 £m	Estimate 31 March 2025/26 £m	Estimate 31 March 2026/27 £m	Estimate 31 March 2027/28 £m
Earmarked Reserves	(100.707)	(75.075)	(60.302)	(57.208)	(57.208)	(57.208)
General Reserves	(28.360)	(28.360)	(28.360)	(28.360)	(28.360)	(28.360)
Total General Fund	(129.067)	(103.435)	(88.662)	(85.569)	(85.569)	(85.569)
Trading with Schools	(0.506)	(0.356)	(0.356)	(0.356)	(0.356)	(0.356)
Capital Reserves	(3.554)	(3.554)	(3.554)	(3.554)	(3.554)	(3.554)
DSG Reserve	43.475	63.187	80.871	98.579	114.732	128.242
Schools Balances	2.391	(2.391)	(2.391)	(2.391)	(2.391)	(2.391)
Total Schools Reserves	41.806	56.886	74.570	92.278	108.431	121.941
HRA Major Repairs Reserve	(10.000)	(10.000)	(10.000)	(10.000)	(10.000)	(10.000)
HRA General Reserve	(80.774)	(26.505)	(27.894)	(21.997)	(22.437)	(22.886)
Total HRA Reserves	(90.774)	(36.505)	(37.894)	(31.997)	(32.437)	(32.886)
Total All Funds	(178.035)	(83.054)	(51.986)	(25.287)	(9.574)	3.487

Table 28: General Fund earmarked reserves summary by type

Reserve Type	Opening Balance 01.04.2022 £m	Net Movement £m	Forecast Closing Balance at 31.03.2023 £m	Forecast Movement £m	Closing Balance at 31.03.2024 £m
Statutory/Ring-Fenced	(49.299)	10.032	(39.267)	10.958	(27.877)
Capital Investment	(41.308)	6.274	(35.034)	4.370	(29.901)
Financing	(4.248)	3.534	(0.713)	2.678	(0.133)
Risk and Legal	(53.161)	38.126	(15.036)	0.317	(12.541)
Service	(32.069)	21.413	(10.656)	2.634	(4.623)
Earmarked Reserve Total	(180.086)	79.379	(100.707)	20.956	(75.075)
General Reserves	(36.899)	8.539	(28.360)	0.000	(28.360)
Total General Fund	(216.985)	87.918	(129.067)	20.956	(103.435)

Table 29: Reserve types

Reserve type	Description
Capital Investment	The capital reserve is maintained to provide funding for the council's capital and commercial investments.
Risk and Legal	Risk Reserves Funds set aside to mitigate risks not otherwise provided for as well as commission advice and mitigate risks of potential litigation/claims.
Statutory/Ring-Fenced	Amounts required by statute or accounting code of practice to be set aside and ring-fenced for specific purposes, eg. Public Health Reserve, City Deal Business Rate Pooling.
Financing	Includes PFI sinking fund, grant income carried forward in accordance with accounting regulations.
Service	Amounts set aside to finance specific projects or to meet known expenditure plans, for example election reserve for local elections.

15.13 In accordance with the policy on reserves, all forecasted balances to 31 March 2023 have been reviewed for their continuing need, alignment with council priorities and a risk assessment considering internal and external factors has been undertaken. Following the review, the resilience reserve was created to provide transitional relief for the long awaited changes in local government funding. It is proposed this will be utilised as a smoothing reserve over the next 3 years to ensure key services can be maintained whilst the organisation transforms, and greater certainty is provided in terms of current economic climate and in relation to local government funding.

15.14 It is proposed that the first £0.25 million draw down will be redirected to increase our legal fund which supports the council in any litigation.

Table 30: Earmarked reserves redirected

	£m	£m
Redirected From:		
Resilience Reserve	0.250	(5.750)
Total	0.250	(5.750)
Redirected To:		
Legal Reserve	(0.250)	(0.303)
Total	(0.250)	(0.303)

15.15 In line with the council's reserve policy as set out in the MTFP, as part of setting the annual budget we will also identify any earmarked reserves which could be redirected to revenue if required during the year.

15.16 The following reserves have been reviewed and are no longer required. These funds to be permanently released total £1.9 million. In line with the resilience reserve will smooth the funding volatility over the 3 year period. Based on current estimates this will leave £1.7 million in the resilience reserve

to manage any unforeseen movements in the position outlined given the sensitivity to inflation and interest rates.

Table 31:Earmarked reserves released

Name	Amount £m	Residual £m
Permanent Release:		
Resilience Reserve	4.087	(1.663)
	4.087	(1.663)
Capital Feasibility Fund	0.763	(0.500)
Bristol Family Cycling Centre	0.100	0.000
Development Fund	0.030	0.000
Future City Demonstrator	0.053	0.000
Hartcliffe Recycling Centre	0.075	0.000
Housing Delivery Enabling Fees	0.431	0.000
Project Management (G&R)	0.139	0.000
Bristol Legacy Community Repair Fund	0.125	0.000
Project Management Office	0.200	0.000
	1.916	(0.500)
Total Released	**6.003**	**(2.163)**

Total Earmarked Reserves Released	**6.253**	

15.17 In addition to the areas above a further £2.8 million will be released from the business rates volatility reserve to support the anticipated loss of income following the business rates reset in 2025/26.

15.18 In summary, the council's position as outlined in section 3 assumes £8.8 million would be required and this would comprise of £2.8 million to support business rates loss of income and a further £6.0 million from the reserves as outlined above, will be redirected to support the position set out in 15.13 above.

16 Financial Health Indicators

16.1 In developing the budget strategy for 2023/24, and the medium term, 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.

16.2 The council's benchmarking was adverse in the three areas below:

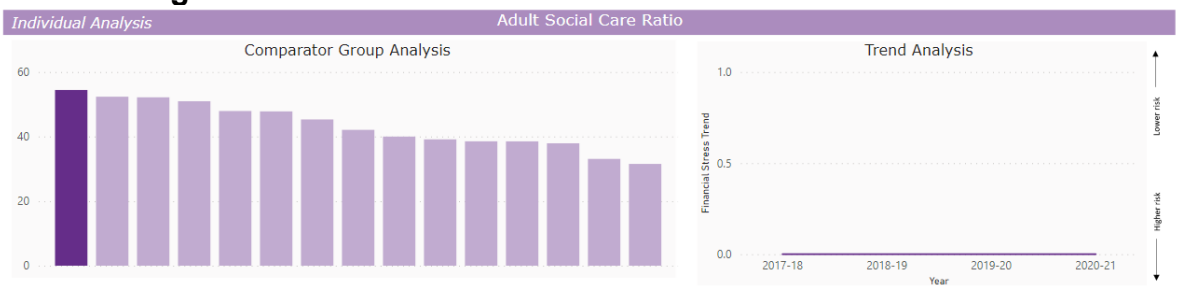
- Adult Social Care Ratio - proportion of budget spent on adult social care services and challenging nature of cost permanence impacting financial resilience
- Gross External Debt – indicative of affordability and exposure to external markets

- Level of Reserves – assessment of net revenue expenditure and reserves levels to inform resilience

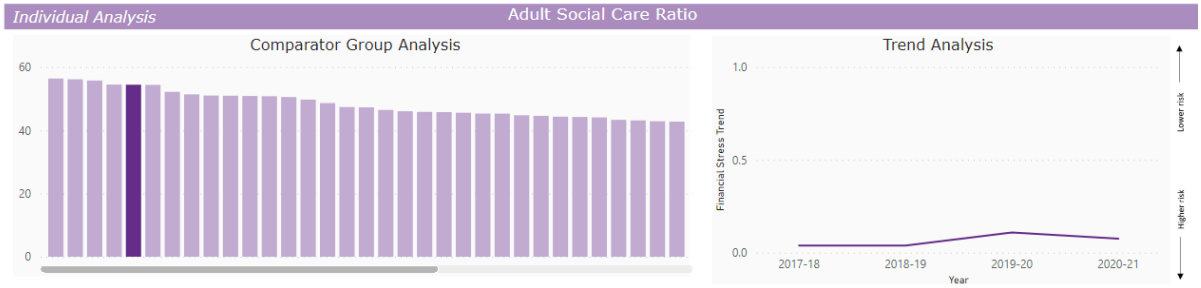
16.3 It was particularly pertinent in relation to adult social care, which has been a trend over recent years.

Adult Social Care Ratio

Nearest Neighbours



Unitary Authorities



16.4 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.

16.5 This indicator is extremely important in terms of the council's ability to respond to extreme shocks, such as that recently experienced in relation to the pandemic and cost of living crisis.

16.6 The council's need for greater resilience to risk that may emerging from the budget, need to be considered and addressed over the medium term.

17 Section 25 Statement of the Section 151 Officer

Introduction

17.1 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer of the authority must report to the council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. An authority to which a report under this section is made has a

statutory duty to have regard to the report when making decisions about the calculations in connection with which it is made. This includes considering:

- The key assumptions in the proposed budget and the robustness of those assumptions
- The key risk areas in the budget and to assess the adequacy of the council's reserves when reviewing the potential financial impact of these risk areas on the finances of the council

17.2 One of the Standards included in the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management (FM) Code is that 'the budget report must include a statement by the Chief Financial Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves. The code further reinforces the original requirement stating that the statement in relation to the proposed financial reserves should consider whether the level of general reserves is appropriate for the risks (both internal and external) to which the council is exposed and give reassurance that the authority's financial management processes and procedures are able to manage those risks.

17.3 While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability. Compliance must be demonstrated to the FM Code. This is a good practice approach that the council has followed historically, and the statement is updated considering the prevailing circumstances and assessment of relevant risks each financial year.

17.4 This statement considers key medium-term issues faced by the council and all associated funds. The importance of this overall approach and need for prudent and realistic levels of reserves and provisions has been brought sharply into focus by the impact of pandemic and more recently the cost of living crisis on both the finances and operations of the local government sector since 2020/21 and within this budget.

Assurance Statement

Key medium-term issues faced by the council and all associated funds

17.5 In relation to the 2023/24 General Fund Revenue budget, it relies on £43.9 million of savings and income targets, which are at different degree of development / complexity. Some are considered low risk or already certain and the remaining are considered challenging, but in my opinion achievable. The assessment of this is reflected in the size of the contingency for optimism bias along with the risks that propositions may be subject to change and or removed following consultation.

17.6 The HRA budget has similarly identified 3% efficiency programme and supporting the DSG deficit to sustainability relies on the further development and delivery of the mitigation proposals currently estimated to build up to £12.0 million.

17.7 Should senior management not meet these targets to a value exceeding contingency earmarked, it will be necessary for the council to draw on its reserves to balance the budget as it closes the 2023/24 year. Thus, it will be important for a rigorous ongoing programme of management, monitoring and, where necessary, intervention to be in place to ensure delivery of the more challenging targets. Good management and the sound monitoring of performance and budgets will be essential. The governance in this area will need to be strengthened and I am satisfied that this is under review and sufficient management processes will be implemented and collective action taken across the council to deliver this budget and to identify and deal with any problems which may arise unexpectedly during the year.

Adult Social Care

17.8 Delaying the rollout of adult social care charging reform from October 2023 to October 2025 enabled funds to be repurposed in the Autumn Statement to support social care. The new funding to Bristol for adult and children social care totalled £20.7 million in 2023/24 rising to £31.2 million (excluding ILF) in 2024/25. No certainty was provided in relation to the position from 2025/26 and beyond and how this funding would entwine with the delayed reforms. However, the planning assumption is that the fund will remain with the council cash flat for the later years of the plan with the potential that new responsibilities in relation to the social care charging reforms may follow. The adult social care element of the grant (£8.1m and £13.7m 23/24 and 24/25 respectively) will be distributed via DLUHC and the DHSC. The government expects this new grant funding to enable local authorities to make tangible improvements to adult social care, in particular to address discharge delays, social care waiting times, low fee rates and workforce pressures in the adult social care sector. The grant conditions are not yet confirmed and could present a risk to the service of greater than anticipated new burdens. The risk will need to be tracked and managed more broadly by the council.

17.9 The flexibility within the budget as it pertains to social care and capital interest rates has reduced particularly as a result of the pandemic, cost of living, energy inflation and interest payments. Budgeting for the increased need and responding to market conditions has unavoidably increased the ratio of relatively fixed social care spend and the revenue impact of capital financing. Less flexibility equates to reduced delivery and more risk. It is recognised that transforming for improved outcomes at best value may require investment and time and this budget seeks to achieve this by the flexible use of the resilience reserve. It should be noted however that if the council fails to transform key services such as social care and High Needs in the 3 year window provided by the budget and the statutory override for DSG deficits, it will have difficulty in meeting future budget constraints. These transformation programmes will require close monitoring, oversight and commissioning control by senior officers and involve multi-disciplinary teams to improve performance and ensure spend controls are in place where it is appropriate to do so.

Children's Social Care

17.10 The council has faced unprecedented price, demand and workforce pressures in the current year and the ongoing impact of this and other pressures have been included within the proposed target budgets. The trends and benchmarking indicate that there are huge financial pressures nationally, however children's social care does not receive the same level of attention or reference as adult social care by government; investments of this level locally are not sustainable in the long term. Reform and investment to improve people's lives and make the system sustainable for the future must be planned.

DSG High Needs Deficit

17.11 The challenges in the SEND system within Bristol are significant. Demand to meet SEND requirements continues to increase at a faster rate than change can be implemented. Fundamental transformation is needed within the SEND system to deliver the scale of change required. The DSG MP is currently forecasting a deficit position by 31 March 2028 of c£128.2 million. This position is currently being reviewed in conjunction with the DBV programme and as a result it is likely to be subject to variation. The DBV programme provides an opportunity, with the right ambition, for the council to make meaningful inroads to the overspend alongside addressing increasing demand, adhering to statutory duties. However, given the scale of the forecasted financial challenge this will likely fall short of closing the annual gap over the three year period, meaning cumulative deficits being carried forward into future years unless significant alternative funding is received.

17.12 A Statutory Instrument (SI) establishing new accounting practices in relation to the treatment of local authorities' DSG budget deficits aimed to facilitate the carry forward of deficits to allow LA's to implement the changes required to bring the DSG to a sustainable footing. The SI has been extended for a further three years, and now expires March 2026 by which point a permanent resolution will be required to be in place for the deficit.

Early Years

17.13 The challenges facing the early years sector include the fact that the DfE funding rates are lower than the cost of delivering funded places, increases in staffing costs, difficulties in recruiting and retaining staff and the increase in the number of children with formally identified SEND at their setting or who may have SEND that has not yet been formally identified. In addition, the number and value of the maintained nursery schools' deficits have continued to increase. The additional funding from government in this regard whilst welcomed is not sufficient to ensure sustainability and a transformation programme is being developed which should seek to address this wide ranging set of issues to ensure sustainability of the sector. The schools reserves are now estimated to be in a net deficit position of £2.4 million and a significant contributor to this is the financial position within our maintained nursery schools. Urgent action will be required to ensure this forecast does not materialise, Schools Forum has agreed additional funding to support the transformation programme and addressing these deficits will also need to be given a clear focus within the transformation programme being developed.

Housing Revenue Account

17.14 The council has adopted medium and long-term modelling (up to 30 years) for HRA, ensuring decisions are made in the context of long-term impact and the business plan. However, the risks are the implications of new legislation / regulation or housing policy change (or lack of) which could negatively impact decisions taken at a local level. As is often noted additional government funding is not identified to meet the new burden costs associated with changes in statutory requirements for the HRA. Whilst these are largely external factors strong representation needs to be made to DLUHC and other national bodies where statutory requirements carry excessive cost and could destabilise the plan.

Capital

17.15 Key risks for the capital programme could be considered to be. Arrangements for improvement plans were implemented in 22/23, however we recognise that further work needs to be done in this regard to prevent risk within the council's internal control being implemented:

- Delays in the delivery of the Capital Programme and capital receipts targets
- Potential risk of overspends on major capital projects due to poor project management, delays and/or impact of global material, labour shortages and supply chain issues
- Interest rates exposure

Investment

17.16 In considering the council's investments, and given current market conditions and volatility, it is good practice to recommend regular review in relation to the following risk:

- Failure of related companies to deliver growth and/or profit targets in line with agreed business plans
- Risk that non treasury impact investments do not achieve the desired outcomes and that the investment may not necessarily be returned to the council

17.17 These have been reviewed for Bristol's investments and regular reviews are undertaken.

Assessment

17.18 The significant budget risks have been identified above and suitable proposals are being put in place to mitigate against these risks where possible. The Corporate Risk Register (CRR) is a live document which seeks to provide assurance to senior management and members that the council's main risks have been identified and that arrangements are in place to manage those risks within agreed tolerance. The council's wholly owned companies carry out their own individual risk assessments which are incorporated into the risk registers contained within the business plans, with the key significant strategic risks summarised in the council's CRR.

17.19 The council has adopted key prudency principles with target thresholds to enable uneven pressures to be effectively dealt with, and to provide cover against unforeseen events / pressures, these are closely monitored.

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

17.21 I consider that the assumptions on which the budget has been proposed, whilst challenging, are manageable within the flexibility allowed by the contingencies and general and risk reserves. The fact that the council holds other reserves earmarked for alternative purposes that could be called on if necessary means that the Chief Finance Officer is confident that overall the budget position of the council can be sustained within the overall level of resources available.

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

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

General

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

- Is performance against the current year's budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans?
- Are arrangements for monitoring and reporting performance against the savings plans robust?
- The reasonableness of the underlying budget assumptions based on information available
- The alignment of resources with the council's service and organisational priorities
- A review of the major risks associated with the budget
- The availability of un-earmarked reserves to meet unforeseen cost pressures
- Have realistic income targets been set and 'at risk' external funding been identified?
- Has a reasonable estimate of cost pressures been made?

- Are arrangements for monitoring and reporting performance against the budget robust?
- Is there a reasonable contingency available to cover the financial risks faced by the council?
- Is there a reasonable level of reserves which could be used to mitigate any issues arising and are they reducing as the risks decrease?
- The strength of the financial management function and reporting arrangements
- Has there been quality of engagement with colleagues and councillors in the process to develop and construct the budget?

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

Table 32: Assessment of robustness of any estimates

Area	Y/N	Response
Is performance against the current year's budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans?	N / Y	Post Pandemic and cost of living crisis has had a significant impact, increasing the demand for many council services, particularly social care, homelessness and welfare support and coupled with a loss of income has led to higher than budget assumptions across the council. The uncertainty and volatility have made in year mitigation plans a challenge for some service areas. Detailed monitoring and report have ensued, and ongoing or unavoidable pressures have been considered by EDM's CLB Scrutiny and members and are included in the plan.
Are arrangements for monitoring and reporting performance against the savings plans robust?	Y / N	Monthly Budget Monitoring, including savings tracker. Governance via EDM, CLB, Delivery Executive, Cabinet and Scrutiny Commissions, however greater accountability required for early warnings and non-delivery. It is anticipated that this will be addressed within performance frameworks.
The reasonableness of the underlying budget assumptions	Y	The major assumptions used in the budget calculation have been examined, where practical benchmarked, associated risks assessed, and impact of sensitivity assessment reported in table 33.
The alignment of resources with the council's service and organisational priorities	Y	The corporate strategy has been refreshed and service planning exercise underway for 2023/24 budget has resource permitting aligned plans and available resources to the corporate strategy priorities.
A review of the major risks associated with the budget	Y	The council and its subsidiary companies corporate and other risk have been reviewed, likelihood and impact assessed.
The availability of un-earmarked reserves to meet unforeseen cost pressures	Y	Unallocated general reserve is currently forecasted to remain at minimum policy level of 5-6% net revenue budget over the 5 year period; resilience

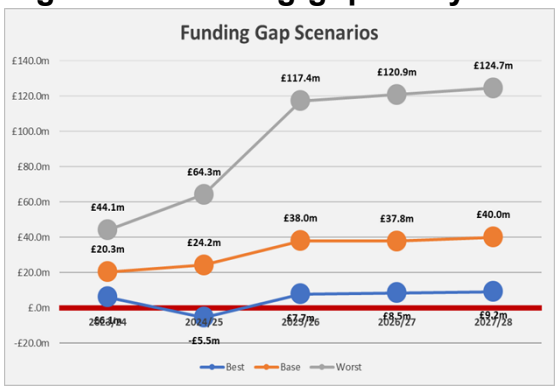
		reserve is being applied across the 3 year period with a small amount retained for any greater than expected movement. An appropriate level of earmarked reserves is retained for known liabilities and risk exposure; however should this be insufficient; as a short-term emergency measure longer term earmarked reserve could be temporarily redirected and replenished.
Have realistic income targets been set and 'at risk' external funding been identified?	Y	The income aspects of the overall budget are calculated based on previous and current trends, taking into account known external factors and external funding changes extrapolated over the medium term. The one off and core revenue estimates including demand pressures and anticipated income lead to the calculation of the council tax requirement and the setting of the overall budget and council tax.
Has a reasonable estimate of demand cost pressures been made?	Y	
Have one-off cost pressures been identified?	Y	Yes see above. In addition, risks and pressures are identified, provisions made where evidence and or mitigating opportunities explored, unavoidable pressures and service improvements investments are outlined within the appendix A to this report.
Has a reasonable estimate of future income been made?	Y	Yes, for income streams material to the council's financial position, subject to significant volatility and a small change could have a material impact e.g. business rates and council tax. Trends have been obtained, analysed and extrapolated based on a range of, scenarios, realistic scenario determined, and sensitivity tested.
Are arrangements for monitoring and reporting performance against the budget and savings plans robust?	Y	Closure reports are provided for Delivery Executive, transformation programmes and key projects which include lessons learnt and embedded assurance is also provided by the Internal Audit on a range of major programmes. Quarterly detailed reports are provided to Cabinet in relation to budget and savings delivery and full report on saving delivery will form part of the outturn report. Delivery capacity to support transformation may present a challenge in a leaner environment and this will need to be closely monitored. Arrangements for monitoring revenue are robust to enable early corrective action to be taken. The governance and monitoring of the delivery of the schemes in the capital programme have been revised as outlined in the Capital Strategy and feasibility fund established for proposition at early development stage prior to full entry to the capital programme. Time is required to embed this new way of working and see tangible changes in the delivery of capital projects.

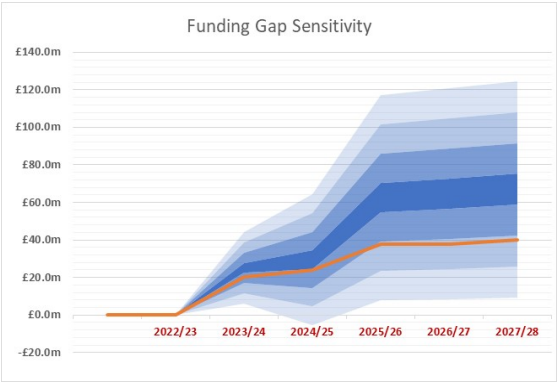
Is there a reasonable contingency available to cover the financial risks faced by the council?	Y	Risk reserves are outlined in Sections 15 & 17, in addition a rolling capital contingency is established to reflect the major project risks and small revenue contingency set aside for non-delivery of savings which are in their infancy, requiring further due diligence or subject to consultation.
Is there a reasonable level of reserves, which could be used to mitigate any issues arising and are they reducing as the risks decrease?	Y	The policy relating to reserves was revised as part of the 23/24 MTFP and the adequacy of the level of reserves is frequently assessed. It is reviewed periodically throughout the course of the year to check appropriate direction or release where no longer required or increased as necessary. Request for new reserves ae outlined in the budget or Cabinet report.
The strength of the financial management function and reporting arrangements?	Y / N	The council has made good progress in strengthen the Finance Capacity via recruitment, development and commissioned reach back capacity. The implementation of the principles outlined in the FM Code and self- assessment indicated compliance with some areas for improvement. The Annual Governance Statement and audits have identified some areas such as greater transparency in public reporting and business case financial modelling which we will continue to strengthen.
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	Y	There has been widespread and practical engagement throughout the budget development and construction process with senior colleagues, Executive, Councillors, Mayor and Scrutiny MTFP and Budget Task and finish group. The constructive critical challenge provided is always beneficial in sharing knowledge, testing assumptions and improving our reporting.

17.26 As a result of unprecedented economic and financial uncertainty there will undoubtedly be risks inherent in the budget process and it is important that these are identified, mitigated and managed effectively. These are outlined in the separate reports produced for each of the funds and in more depth within the MTFP.

17.27 In relation to the General Fund the scenarios indicate that under the worst case scenario the funding gap rises from £40.0 million 2023/24 to £124.7 million by 2027/28. The key variation in this model is driven by Inflation. The key financial planning risks that may affect the projections over the medium term and delivery of a balanced budget are summarised in the relevant sections and below:

Figure 5: Funding gap analysis





17.28 The table below illustrates the impact of any changes in standard key planning assumptions for any given year and potential impact on General Fund reserves should they come to fruition.

Table 33: Sensitivity analysis of key budget assumptions

Description	£m
Income	
Change in Council Tax Collection Rates by 1%	3.0
Change in Business Rates Collection by 1%	2.4
Change in Council Tax Growth by 1%	2.5
Changes in Government Funding Settlement by 1%	4.6
Expenditure	
Change in Pay Award by 1%	2.0
Change in General Contract Inflation by 1%	2.9

17.29 Other considerations include:

- uncertainty in relation to the prolonged cost of living crisis, energy costs, Inflation and interest rates, its severity and the impact on economic recovery and increase service need
- future local government finance framework including fair funding review for the allocation of government funding and reset of business rates retention to redistribute growth
- ongoing demand and cost of social care for both adults and children.
- achievement of the council's current and future year's budget savings in both their timing and income target
- income projections built into the budget may not be achievable due to factors outside of the council's control, for example a worsening economic outlook and or reduction in investment yields

Reserves

17.30 The council must ensure reserves and balances are retained at an appropriate level in order to provide an adequate buffer for any series of one-off pressures or to provide sufficient time to identify on-going mitigations in a systematic way. The

council has a reserve policy and based on internal financial risk assessments undertaken, I believe that the council still retains an adequate level of reserves as outlined in section 15.

17.31 Earmarked reserves is forecasted to total £100.7 million by 31 March 2023 (excluding HRA and school balances), which in an emergency can be utilised on a short-term temporary basis, provided the funding is replaced in the future year. In a worst case scenario the combined earmark and general reserves (£129 million) would represent 27% of the 2023/24 net revenue budget.

17.32 Within the General Fund earmarked reserves, Public Health retain a reserve of £3.5 million, which represents approximately 10% of the annual grant and could provide transitional support should the grant be unexpectedly reduced, unfunded new burdens materialise or pay awards exceed expectation.

17.33 The HRA minimum reserve is £21 million and is forecasted at £80 million by 31 March 2023 (this excludes HRA major repairs reserve) with an interest cover ratio of 1:25 which whilst underpinning the 30 year business plan could be utilised on a short term basis for alternative pressures in the HRA, providing the funding is replenished and does not fall below minimum threshold set.

17.34 Schools, like many businesses / organisations are experiencing the squeeze in relation to post pandemic, cost of living, inflation, energy, pay awards, recruitment and retention rises. The forecast reserve for 31 March 2023 reflects a worrying picture with a high volume of schools forecasting an in year deficit for 2022/23. Whilst school block funding in the DSG has increased by 6.3% with an additional grant to support the pressures in individual settings, this may not be sufficient. The net forecast reserves balance for LA maintained schools is envisaged to slide into deficit of circa £2.4 million at the end of 2022/23; indicating the need for close monitoring and increased number of licensed deficits to ensure this is appropriately managed.

General points

17.35 There are serious exceptional risks which, if they crystallise, could significantly impact the council's reserves and leave its financial standing seriously in question. These include:

- The potential for unforeseen council owned infrastructure issues and cyber security.
- The financial implications from the Care Act, adult social care and other welfare reform changes or other associated housing legislation
- The risk surrounding the non-delivery of savings planned for 2023/24.
- The financial uncertainty for the public sector arising from the prevailing and continuing national and local conditions
- Fire safety and insurance risk
- Risk of exposure of any major legal claims against the council
- The risk of further significant reductions in income and government grant funding, particularly in relation to:
    - Growth and decline in the council's tax base and business rates base
    - Business Rates appeals from the 2017 revaluation

- School conversions to academies with deficit balances that revert to the council
- The Local Council Tax Support Scheme with further reduction in subsidy funding and no protection for caseload increases
- Further changes to the way in which local government is financed given the government's intended local government reform as part of its 'Levelling Up' agenda and potential redistribution of existing funding levels to other local authority areas from 2024/25
- Future government changes in policy and funding for local government, particularly the unknown impact of the next Spending Round in 2024
- The need to address the country's ongoing Public Sector Borrowing Requirement (PSBR) and the structural financial deficit and potential for a further round of austerity measures

17.36 In the context of the above, the Chief Finance Officer considers the proposed budget for 2023/24 is robust and that the level of reserves is adequate for all funds, given a clear understanding by members and senior management of the following:

- The need to strengthen the accountability and performance framework in relation to delivering projects, proposals and services against budget targets
- Directors and other budget holders accept their budget responsibilities, and accept the subsequent accountability for all savings associated or inherited within the budget
- The level of reserves and contingencies is in line with the risk matrix, but their enhancement will be a prime consideration for the use of any fortuitous in-year saving
- Risk based budget monitoring and scrutiny arrangements need to be in place and must include arrangements for the identification of remedial action
- Budget risks are identified and recorded at the earliest opportunity and will be subject to focused control and management
- Earmarked reserves will be operated in line with reserve policy agreed within the MTFP and directorates are required to have in place a clear plan for the draw-down of the reserves in line with the profile
- Effective governance arrangements at a service, divisional, directorate and subsequently at corporate level, to monitor the overall delivery of the 2023/24 budget, plus regular finance monitoring reports to Cabinet and Scrutiny Commissions
- Organisation wide and Schools Forum buy-in and strong leadership support to deliver a robust DSG deficit recovery plan as developed in conjunction with the DfE DBV programme, which can place the High Needs budget on a sustainable footing
- There is a clear understanding of the duties of the council's statutory finance officer and that the service implications of them being exercised are fully understood

Conclusion

17.37 The short, medium and longer term issues and risks outlined in this statement seek to raise the awareness of key issues and improve the understanding of members, officers and stakeholders of the challenges for the council and risk to which I believe the council is exposed. A culture of collective leadership is required, with clear accountability for the matters for which we can control. This will ensure that key issues are successfully addressed and that we are aware of and effectively manage external factors that can be outside our control risk. Given the above and work undertaken across the council and by members over last 6 months I, as the council's Section 151 Officer, consider the estimates for 2023/24 to be sufficiently robust and recommend for approval by Council. I am also able to advise the council that the level of reserves, whilst reducing, remain adequate providing a long term solution is identified for the DSG deficit, good governance prevails, risk is managed and agreed savings are delivered.

Denise Murray
Chief Finance Officer (Section 151 Officer)

18 Consultation and scrutiny input

Internal consultation

18.1 Development of the MTFP and budget has been reviewed and challenged by a Task and Finish Group of the council's Resources Scrutiny from September 2022 to January 2023. The Resources Scrutiny commission plan to consider the budget proposals at meetings on 31 January 2023 and 2 February 2023.

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

External consultation

18.3 The consultation on the council's 2023/24 budget was open for six weeks from 11 November 2022 until 23 December 2022. The consultation sought views on 49 savings proposals as well as alternative options for the level of Council Tax increase and Social Care Precept in 2023/24, before decisions on the 2023/24 budget are made by Full Council in February 2023.

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

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

18.6 The council has not consulted separately on the HRA this year.

18.7 The council has consulted separately with schools and Schools Forum in relation to de-delegation. This consultation was open for six weeks from 4 October 2022 until 14 November 2022. It was communicated to schools through the Service Director for Education & Skills' regular newsletter, email and through school forum members. This consultation sought school stakeholder views on the de-

delegation of funding from mainstream schools for specific services, it was open to maintained mainstream schools only to respond. Details are as reported under Item 8 of the following document pack: Schools Forum

Consultation principles for new proposals

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

18.9 Principles:

- Where specific consultation is still considered necessary, Full Council will set the service cash limit but will not make decisions on operation issues within the service budget
- Decision (and consultation) in respect of detailed operational proposals are a matter for Cabinet
- Following Full Council, Cabinet will decide how best to allocate funds within the designated cash limits. When making decisions on specific proposals within budget lines it will take into consideration consultation responses and Equalities Impact Assessments where needed, fully recognising the constraints on any departure from the council's budget / financial plan
- Services should ensure consultation is undertaken on defined proposals, giving consultees enough time and information to respond properly and that responses are considered. Informal engagement at a formative stage of proposals can also be beneficial

19 Other options considered

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

20 Public sector equality duties

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

20.2 This report sets out the Mayor's budget proposals for Full Council to set the budget. Some proposals will need further development to make a specific decision. The process for this is set out in the section on consultation on new proposals (para 20.9). For these proposals an Equalities Impact Assessment (Appendix 7) will be undertaken to inform Cabinet when making that decision.