BRISTOL CITY COUNCIL

Budget Report

2024 - 2025

CONTENTS

1. Mayor's Budget Recommendations to Council

The approval of the Mayor's budget proposals to Council in respect of 2024/25 as set out in this report, subject to any agreed amendments:

To note:

a) The report from Overview and Scrutiny Management Board (OSMB) and/or the Resources Scrutiny Commission that will be published separately.
b) The budget consultation process that was followed and feedback as outlined in Section 18 and Appendix 6.
c) The categorisation of earmarked reserves and provisions set out in Section 15.
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 2024/25 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 agree:

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 2024/25 as £525.494 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 2024/25 Report in the case that they are required to meet Q3/P8 2023/24 full year forecast spending requirements (see Appendix 15)
j) The council's capital budget and programme for the years 2024/25 – 2033/34, totalling £2.7 billion for the General Fund and Housing Revenue Fund.
k) The strategic Community Infrastructure Levy allocations in section 13 are approved.
l) The proposed Treasury Management Strategy for 2024/25 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 changes to Council Tax for empty homes (long term empty dwellings that are substantially unfurnished) and for second homes (dwellings that are occupied only periodically and are substantially furnished) in Appendix 12 be applied from 1 April 2024, or as soon as possible thereafter, subject to the required legislation being in place.

To agree:

o) The distribution of the 2024/25 Dedicated Schools Grant of £491.736 million as recommended by Cabinet and the Schools Forum, summarised below, and set out in Section 9.
   i. The Schools Block budget set at £342.604 million, after transferring £1.7 million of the overall Schools Block to the High Needs Block as a contribution to the

accumulated High Needs deficit.

ii. The Growth Fund for established schools expanding in September 2024 be set at £2.0 million (a component of the total Schools Block budget).

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

iv. The High Needs Block budget be set at £91.3 million, after receiving transfers of £1.7 million from Schools Block.

v. The Early Years Block budget be set at £55.2 million and distributed in line with the arrangements agreed with the Schools' Forum, noting that spend and income will fluctuate, according to participation levels in each of the three school terms.

To agree:

p) With regards to the HRA

i. The HRA Revenue budget of £151.0 million for 2024/25 as set out in Section 11.

ii. A rent increase of 7.7% with effect from April 2024, 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) To the Director of Finance after consultation with Designated Deputy Mayor with responsibility for Finance, Governance 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) To the Executive Director of Growth and Regeneration, in consultation with the Designated Deputy Mayor with responsibility for Finance, Governance and Performance, to set HRA service charges in line with the anticipated and actual cost of running each service.

s) To Cabinet to approve (subject to consultation where required) any further DSG mitigation proposals for commencement in 2024/25.

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 2024/25 – 2033/34
- 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: Changes to Council Tax
- Appendix 13: Service Investments, Loans and Guarantees
- Appendix 14: Bristol Schools Forum Feedback
  to follow
- Appendix 15: Children & Education Supplementary Estimate Request

3. Executive Summary

3.1 The council has a legal responsibility to set an annual balanced budget (Local Government Finance Act 1992). Budgets are a distillation of what defines a council and a demonstration in pounds and pence of its priorities and its values as stated in the Corporate Strategy. It outlines how the 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 There is no doubt that this remains a challenging time for Local Government, due to the volatility of the economy and inflation. Nationally there has also been high levels of demand for social care, home to school transport and large increase in homelessness, all of which have reflected locally in Bristol, and are putting pressure on our in-year and future year budgets. We continue to work extremely hard to manage this situation and mitigate the adverse impact. Due to careful and detailed planning and prudent management of our finances we are able to set a balanced budget over the five-year planning period.

3.3 This is a budget which seeks to prioritise what really matters, supporting people through the cost-of-living crisis, investing in our frontline public services, and providing the resources available to protect the most vulnerable. But it does so in a context of financial constraints from underlying structure pressures including local supply challenges, labour shortages, pay inflation and the ambition to respond proactively to the climate emergency.

3.4 There has been a marginal improvement in terms of Local Government funding in the most recent years and outlined in the Autumn Statement 2023 and subsequent allocation in the provisional Local Government finance settlement. However, these have not kept pace with demand for our services and the set of sustained economic and financial challenges related to national and local market conditions to which local government has and continues to be exposed.

3.5 We are committed to continuing to deliver on our Corporate Strategy 2022 to 2027 Corporate Strategy 2022-27, Our budget will include the ongoing transformation and delivery of services that are important to our citizens, complemented by additional investment in decarbonising our estate and our existing and a programme of new housing developments infrastructure.

General Fund

3.6 In 2023/24, the council set a three-year budget, balanced through the utilisation of the resilience / smoothing reserve, which enabled us to take a longer-term and more strategic view whilst further developing our transformation proposals to support our decision. The prior year's budget outlined savings of £43.9 million between 2023/24 and 2027/288, with £17.7 million to be found in the later years from 2024/25 and beyond.

3.7 The Capital Strategy and Medium-Term Financial Plan /(MTFP) agreed by Council in October 2023 estimated a funding gap of £17.8 million for the financial year 2024/25 which was predicted to rise to a peak of £32.1 million over the course of the five-year planning period. The funding gap, given the continued back-drop of the cost of living and demand pressures, continues to be extremely sensitive to inflation and core funding variations, and by 2028/29 the breadth of the potential sensitivity variation ranged from £4.7 million to £81.2 million.

3.8 In addressing these challenges, the MTFP sets out our guiding financial principles and good practice arrangements for; delivering sustainable services, to be resilient to future uncertainty, deliver best value and a balanced budget in the medium term. Overall, this report recommends a 2024/25 general fund net expenditure budget of £525.5 million, (a net increase of £42.0 million from the 2023/24 budget) and incorporates targeted revenue investment in priority areas of £44.0 million in 2024/25 to mitigate ongoing and unavoidable pressures.

3.9 The outlook for the coming years is volatile, with a number of impacting factors influencing the planning assumptions across the medium and longer term, not least of which is the continued lack of funding certainty. The Autumn Statement paved the way for an expectation of real terms cuts over the coming medium term. These, combined with the impacts from the fair funding review for the allocation of government funding and the reset of business rates retention to redistribute growth due in 2026/27, are presenting significant challenge to the sector.

3.10 In order to ensure that the council manages costs within the available funding over the medium term, savings continue to be an essential requirement. In addition to the net £10.0 million savings approved as part of prior year's budgets for 2024/25, further savings are proposed to the value of £24.0 million in 2024/25. This results in an overarching savings and efficiency programme of £34.0 million. These savings are underpinned by an overarching savings contingency of £1.5 million (of which £1.0m relates to 2024/25) and £4.8 million linked to the savings outlined in this recommendation (of which £3.0m relates to 2024/25).

3.11 Savings delivery has become a normalised process throughout the last decade, since the introduction of austerity measures from 2010. The council has during that time delivered substantial and wide-ranging efficiencies, savings and transformation to manage the ever-tightening financial landscape which it faces. The historic service reductions and efficiencies have seen services outside of social care having to manage significant reductions, with over 50% real terms cuts in those areas. This leaves the council in a difficult position with limited options on further reductions and in the last financial year a clear focus has been put on transformation and delivering quality services differently to enable value for money.

3.12 In achieving the reported position of £525.5 million for 2024/25 the council has been compelled to take painful and difficult decisions in order to prioritise funding in the areas which have the greatest impact on the quality of life for the people of Bristol and deploying all the levers available to us to deliver on our values, protecting people and optimising services. In living within our means we have had to use the council tax flexibilities available to us, taking into consideration the pressures many households are facing with an increased cost of living. It is necessary to levy a 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 including inflationary pressures. The two combined uplifts equate to an overall 2024/25 council tax increase of 4.99%, generating an additional £13.5 million resources from council tax for services provided by the council.

3.13 We have sought to protect the most vulnerable and continue to be one of a few authorities who are retaining the Local Council Tax Reduction scheme, which will mean 32,200 households on low income will be protected from the increase and receive up to 100% deduction of their council tax costs. This is also true for pensioners.

3.14 The table below provides a high-level summary of the position including the transfers that will be required to create the necessary earmarked and general reserves for 2024/25 and 2025/26 and to ensure the councils ongoing sustainability and resilience in the later years when the most significant impact of the business rates reset comes to fruition and impacts on the level of core income.

Table 1: General Fund summary

General Fund Overview	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Original Budget (Approved by Council)	501.934	511.288	523.045	536.786	536.786
Total Emerging Pressures	43.984	28.685	32.166	35.805	48.027
Net Service Savings	(20.424)	1.450	(0.994)	(0.143)	0.878
Council Budget Requirement	525.494	541.422	554.217	572.448	585.691
Total Funding	(532.480)	(552.648)	(548.301)	(567.672)	(588.127)
Reserves (+/-)	6.986	11.226	(5.916)	(4.776)	2.436
Budget (Surplus)/Deficit	-	-	-	-	-

3.15 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.

3.16 The proposed Capital Programme amounts to £2.722 billion (including HRA) in 2024/25. The programme was updated last year for several major programmes of works that helped the city ‘invest to grow’. Further steps toward the Regeneration of Bristol’s Temple Quarter were made, Bristol Beacon opened for business. This year the council is addressing the financial constraints in the programme that previously resulted in a lower proportion of our projects being funded by ‘investing to save’. Two ‘invest to save’ additions are Children’s Services projects which will aim to tackle the problems in the supply of Children’s Fostering Sufficiency and Children’s Homes Sufficiency placements.

3.17 Other invest to save proposals are coming forward. Not wanting to lose vital opportunities that result in savings, the capital programme will maintain an allocation of funding for use to explore, develop the early pipeline identified and subject to mandate, business case and cash flow appraisal be implemented subject to delegated approval. Projects for potential inclusion will be innovative small scale projects addressing placement sufficiency for adults with learning disability, temporary accommodation solutions, home to school transport vehicles, street lighting and other savings opportunities

3.18 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.

3.19 The proposals above all form the basis of the council's final general fund revenue and capital budget for 2024/25.

Ringfenced accounts

Public Health

3.20 The Public Health Grant in Bristol is £35.9 million in 2023/24 and the indicative allocation for 2024/25 (published in March 2023) is expected to be £36.2 million. Councils still await the final announcement of their final Public Health Grant allocations. This funding is used to meet statutory public health responsibilities. If the final 2024/25 grant fails to 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.

Dedicated Schools Grant (DSG)

3.21 Following the October 2023 census, the DSG allocation was released by the ESFA on 19 December 2023. The overall DSG allocation for 2024/25 is £491.7 million.

3.22 The allocation of £491.7 million is an increase of £28.8 million on the equivalent 2023/24 allocation of £463.0 million. This increase includes a further £8.1 million for the Schools Block, where the majority of funding is passported directly to schools via the funding formula. The funding for the High Needs Block is £89.5 million, a 3.3% increase on 2023/24 (£86.6m).

3.23 The High Needs Block remains under pressure. Current spending levels in 2023/24 indicate that the increased allocation will not cover in-year forecast overspend and does not provide any additional funding for growth, additional need, or historic shortfalls.

3.24 The current trends indicate that the overall DSG cumulative unmitigated deficit is forecast to reach £58.2 million by the end of 2023/24.

3.25 A Statutory Instrument is in place to allow the overarching DSG deficits to be carried over in a negative reserve. This Instrument is, however, time-limited and was due to end in March 2023 but in recognition of the national challenge in relation to DSG deficits (attributed to High Needs) it has been extended for a further three years to March 2026. The extension is to allow councils the short-term flexibility needed to implement changes to move High Needs to a sustainable position.

3.26 Work, collaboration and engagement continues on mitigation proposals, with particular focus on sustainable school-led programmes, addressing the deficit in the High Needs Block through more inclusive mainstream provisions and improved collaboration and consultation with stakeholders.

3.27 In considering the DSG carry forward negative reserve, the current financial challenges for maintained schools and early years sector should also be noted. Local authority maintained schools are forecasting a net deficit for March 2024 when all the individual school balances are combined of £2.4million. This is mitigated to a small surplus through additional one off funding earmarked to support schools in financial difficulties (see section 9). The additional funding for schools and maintained nurseries in the funding formula from 2024/25 is welcomed and this along with the work underway to improve school's financial health will go some way in meeting these challenges and ensure a sustainable medium term position can be achieved.

Housing Revenue Account (HRA)

3.28 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 and improve existing properties.

3.29 The annual 2024/25 budget is expected to be £151 million (an increase of £13.6 million from 2023/24) and includes a rent increase of 7.7% for 2024/2. 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.

3.30 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.

3.31 In addition to the above, the council continues to progress the delivery of an ambitious HRA capital programme over the period from 2024/25 to 2033/34, which has a gross value of £2.3 billion and is fully funded using HRA revenue and reserves, external funding, capital receipts and prudential borrowing. As at 1st April 2024 the HRA earmarked revenue reserves are estimated to amount to £55.8 million.

3.32 The proposals above all form the basis of the council's final HRA revenue and capital budget for 2024/25.

Harbour Account

3.33 During 2024/25 it is expected, in line with a Cabinet decision taken during 2023/24, that a revision order will be taken to establish a separate ring-fenced account for the Harbour. This may require adjustments to the outlined budget following further work to understand the specific accounting treatments required. Recommendations will be brought forward through the appropriate decision pathway and delegated decision making route.

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 lays 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 The economic and financial climate remains one of uncertainty with constrained funding streams and as such the approach to the meeting Corporate Strategy needs is to be considerate of budget pressures and funding availability. A phased approach to change has been adopted over the period of the strategy to ensure services are both positioned right, are sustainable and can plan appropriately for change.

4.6 The Policy and Budget Framework provides the structure and process for budget decision making and the Capital Strategy and MTFP are key financial planning document, covering a rolling period, refreshed annually. They set out the council's strategic approach to the management of its finances, both revenue and capital and provides a financial framework within which delivery of the council's priorities can be progressed.

4.7 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.

4.8 The MTFP and Capital Strategy approved by Full Council, October 2023 provided an outlined of the national context, new legislative and policy changes that could impact on the budget and medium term plan and the local service and funding issues to which consideration needed to be given over the period. The budget strategy, presented the proposed approach continued focused on driving a blend of improved outcomes and best value from our existing transformation programme, expanding the opportunities being developed, including optimising our assets in relation to invest to save proposals and being more business-like in relation to income generation, secure more external resource, including options around fees and charges and debt management.

4.9 The Chancellor's Autumn Statement and the subsequent Provisional Local Government Finance Settlement which was published in December 2023, was in effect, the second year of a two year settlement. While it resulted in a real terms increase, in the council core spending power in comparison to the prior year. The grant changes in the main where previously announced and planned for in the MTFP, resulting in an overall adverse movement as a result of the reduction applied to the services grant (reduced nationally from £403m to £77m) with elements transferred to the Social Care grants and a 3% Funding Guarantee (£63m).

4.10 The positives in the settlement were the confirmation of a further year of New Homes Bonus, business rates multiplier aligned to September CPI (6.7%) and that councils in devolution deal areas are to remain in the 100% business rates retention pilot for a further year. The pilots will be subject to ministerial review of delivery objectives and priorities for 2025/26.

4.11 The continuance of limited funding periods, short term local government allocations and the scale of specific and one-off grants allocated in the 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% or 50% retention and wider reforms of the business rate system) are likely to be introduced in 2025/26 and 2026/27 respectively. 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 2023/24

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 2024/25 is based on the latest forecast outturn as at Q3/P8 2023/24.

5.2 The current full year forecast position, based on known information at the end of November 2023 is a net £5.5 million (1.1%) overspend against the approved general fund budget. This outlook reflects the application of an £18.5m supplementary estimate to Children and Education directorate budget, reflecting the Directorate's overspend in-year, which is subject to approval at Full Council in February. This £5.5 million reflects risks with the Adult Social Care, Resources and Growth and Regeneration Directorates. 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.

5.3 For ring-fenced accounts, latest in-year forecasts report £0.2 million underspend for the HRA (-0.2%), £16.4 million overspend for the DSG (3.6%) and a balanced position on the Public Heath grant.

5.4 The ongoing pressures that have been identified through budget monitoring are taken into consideration in preparing both the Medium Term Financial Plan and has both the outturn and the planning evolve are reflected in the 2024/25 budget and medium term plan.

5.5 Further details of the forecast year end position can be found in the period 8/Quarter 3 2023/24 Financial Monitoring Report presented to Cabinet 23 January 2024.

5.6 A supplementary estimate is presented for approval as part of the Budget 2024/25 report to ensure demand-led service can continue to be provided in the case that they are required to meet Q3 2023/24 full year forecast spending requirements (see Appendix 15).

6. General Fund Revenue Budget 2024/25

6.1 Full details of the 2024/25 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 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 to provide a consistent and easily understood mechanism to update and review budgets and 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 October's MTFP, have been reflected in the funding position of this budget proposal. After savings, the council presents a balanced budget position over the full five year MTFP period. This is underpinned by contributions to reserves in the first two years, with drawdown from reserves in the following two years. This reflects an expected steep decline in funding at 2025/26 when a number of the funding streams are expected to cease, coinciding with the business rates revaluation exercise that is also expected to reduce the council's funding significantly.

6.4 The proposed General Fund revenue budget for 2024/25 totals £525.5 million, a net increase of £42.0 million from the 2023/24 baseline budget (£483.5m). Within this are savings and efficiencies options, both recurrent and non-recurrent, amounting to a net position of £24.1 million (after cost to deliver), of which £23.4 million is attributed to 2024/25.

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 £13.6 million from previous budget rounds (of which £10.0m is attributed to 2024/25).

6.6 The overarching savings figure built into the budget (net of any write-offs) is therefore restated to £39.3 million of which £34.0 million is attributed to 2024/25. The table below provides a summary of the position.

Table 2: Summary of savings

Description	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Future Year Savings from 2023/24	(14.108)	(1.973)	(1.061)	(0.547)	-	(17.689)
Future Year Savings Written Off	4.083	-	-	-	-	4.083
	(10.025)	**(1.973)**	**(1.061)**	**(0.547)**	**-**	**(13.606)**
New 2024/25 Proposals	(23.971)	(0.685)	(1.950)	(0.810)	(0.324)	(25.722)
	(33.996)	**(1.289)**	**(3.011)**	**(1.357)**	**(0.324)**	**(39.328)**

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.

6.8 The council applies an optimism bias to support any further variations that may occur in relation to delivery and/or consultation, reflecting that a number of the savings are in early development. There is previously approved optimism bias linked to the prior year savings carried forward of £1.5 million (of which £1m relates to 2024/25) and

£4.8 million linked to the savings outlined in this recommendation (of which £3.0m relates to 2024/25).

6.9 The key components of the General Fund budget of £525.5 million are summarised in the table below. Significant investment continues to be 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.

6.10 It is proposed that reserves are bolstered marginally in the first two years of the medium term position to enable the anticipated drop in funding during 2026/27 to be smoothed through application of drawn down reserves over two years whilst the position stabilises. This will provide a cushion enabling a stable medium term position throughout the full five year period and for 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

2023/24 Budget £m	Description	2024/25 Budget £m	2025/26 Project'n £m	2026/27 Project'n £m	2027/28 Project'n £m	2028/29 Project'n £m
425.033	Base Budget Carried Forward					
191.712	Total Adult & Communities	200.443	207.631	213.518	220.678	225.331
110.003	Total Children & Education	127.178	127.220	128.704	131.536	133.172
45.872	Total Resources	49.049	48.551	48.362	48.322	48.281
61.567	Total Growth & Regeneration	61.120	62.039	62.261	62.153	62.341
74.369	Total Corporate	87.704	95.981	101.372	109.760	116.566
483.523	General Fund Budget Requirement	525.494	541.422	554.216	572.448	585.691
(258.801)	Council Tax	(282.047)	(297.373)	(313.533)	(330.581)	(348.543)
-	Council Tax Second Home Premium	-	(2.876)	(3.020)	(3.170)	(3.328)
(153.451)	Business Rates (NNDR)	(177.493)	(181.966)	(161.316)	(163.489)	(165.823)
(1.599)	New Homes Bonus	(2.418)	-	-	-	-
(4.126)	Services Grant	(0.650)	-	-	-	-
(56.790)	Social Care Grant	(67.365)	(70.432)	(70.432)	(70.432)	(70.432)
(3.929)	Movement To / (From) Reserves	6.986	11.226	(5.916)	(4.776)	2.436
(4.827)	Collection Fund Surplus/(Deficit)	(2.507)	-	-	-	-
(483.523)	**Total Funding**	(525.494)	(541.422)	(554.217)	(572.448)	(585.691)

-	Budget Surplus/(Deficit)	-	-	-	-	-

6.11 The following specific changes and key assumptions have been made in the development of the 2024/25 budget:

- Council Tax increase of 4.99% (including 2.99% for general purposes and 2% Adult Social Care Precept) continuing for the medium term in line with steer from central government
- Introduction of 100% council tax premium on second and empty homes subject to parliamentary approval from 2025/26
- 100% business rates retention until 2025/26 only and multiplier uplifted by CPI, with rates reset due from 2026/27
- A pay award/NIC capped (£9,100) of 5%
- All Social Care grants – rolled into the fairer funding review and cash flat
- No general inflation uplift to be applied to service expenditure budgets
- Inflation uplift of 6.7% to be applied to all fees and charges in line with September CPI
- Specific inflationary increases in Private Finance Initiative (PFI), social care and essential services e.g. utilities
- Capital Financing – assumption that borrowing costs peak at 5.5%

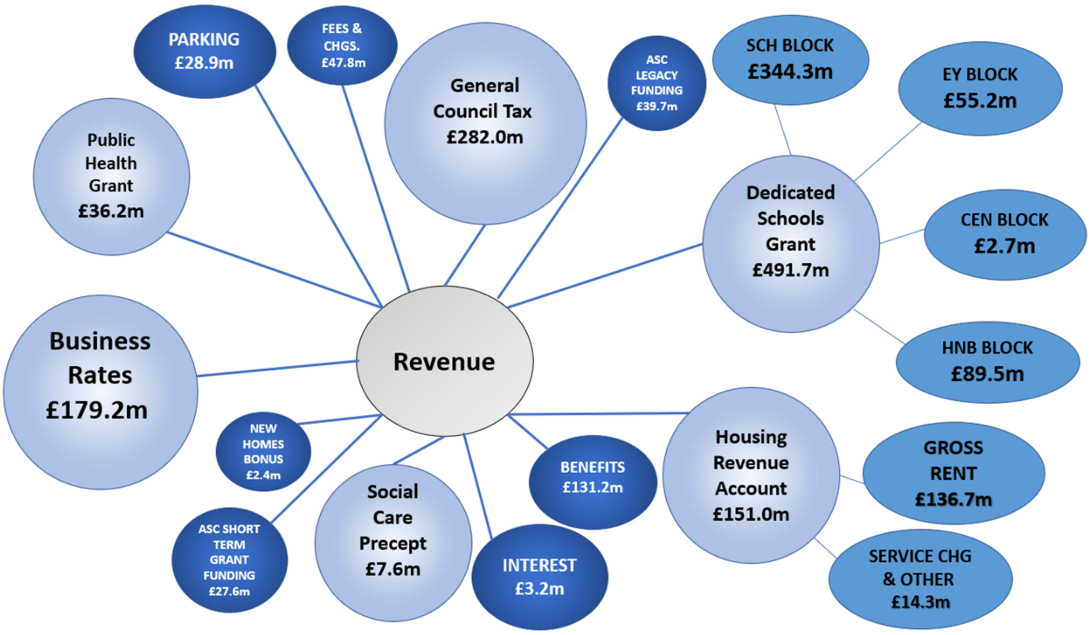
6.12 It is important that the council continues to plan and grow our local tax base which provides real additional resource that can assist with managing increases in service demand, population growth, inflationary pressures and changes in government funding.

6.13 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. The council tax increase proposed for 2024/25 is in line with the assumptions underpinning the core spending calculations and funding distributed.

6.14 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.

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

Figure 1: Breakdown of budget income 2024/25



Fees and charges

6.16 The 23/34 Budget and medium term plan approved in February 2023 anticipated an annual general inflationary uplift of 5% in 2023/24 to ensure budgets remain sustainable in real terms with a 3% increase in 2024/25. This was attributed to pay, prices and contract costs partly offset by assuming an equivalent increase in all fees and charges. This provision was in line with the medium-term target rate set by the Government for the Bank of England.

6.17 However, with the continuing international economic instability and national political uncertainty there has been increased inflationary pressure across most sectors. The local government Pay award (ranged from 3.8% up to 12.6% (averaging 6.0%). Increase in the National Living Wage and current year and future forecasts for inflation, are for an average of 7.3% this year, 3.6% next year before settling back to nearer the long-term trend of around 2% for the rest of the medium term planning period.

6.18 No general inflation allocation is provided for the majority of the council's services and given this position it is not possible for all services to generate sufficient additional efficiencies to absorb the increased inflationary cost, while many areas are also seeing increased demand.

6.19 Positive action by services has managed the impact of inflation in 2023/24 on a one off basis and in other areas these price fluctuations are reflected in the overspends reported. For many services to remain sustainable there is a need to recalibrate fees and charges for 2024/25 and beyond to provide the necessary funding for excess inflationary costs in 2024/25. There is a material risk about the council's ability to continue to absorb cost increases that are higher than resources year-on-year and could lead to additional budget pressures in future years.

6.20 In the context of sustained, historically higher levels of inflation and the resultant increased costs of service provision, it is proposed that this risk will be managed in 2024/25 through the recalibration and realignment where appropriate of fees and charges. The council charges for services, some of which are established by statute and are not within the power of the council to amend locally, whilst others are discretionary and are set as part of the annual budget report.

6.21 General Fund discretionary fees and charges are increased by the September (prior year) CPI Index rate, on 1 April 2024, unless otherwise stated. Most working-age benefits, pensions, business rates multiplier, and rent charges are also aligned to September's CPI inflation rate, which measures how fast prices have risen in the previous 12 month period, and as such will rise by at least 6.7%, in April 2024.

6.22 This uplift has been assumed against all relevant budgets at 6.7% for 2024/25, and at 2% from 2025/26 onwards (planning assumption subject to confirmation). This will enable services to recover costs and operate sustainably in a high inflation economic environment. Where charges are set as full cost recovery on an externally directed basis, or are set by statute, they are assumed to be set at the relevant directed values, which will differ to the standard inflationary assumption. Some of these fee and charge increases still require notification to the council so they will be updated when we have the relevant confirmations.

6.23 If there are any proposed increases that are above the council budgeted level, they will need to be brought forward for decision under the appropriate decision pathway.

Service and corporate pressures

6.24 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.

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

Table 4: Breakdown of baseline expenditure pressures and investments

Investment	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 £m	Total £m
Pay Inflation Pressures	10.648	4.559	4.527	4.367	4.454	**28.555**
Non-Pay Inflation Pressures	25.983	3.572	6.678	10.826	6.287	**53.346**
Total Service Pressures	32.760	5.818	3.548	3.112	1.359	**46.597**

Total	**69.390**	**13.949**	**14.753**	**18.305**	**12.100**	**128.497**

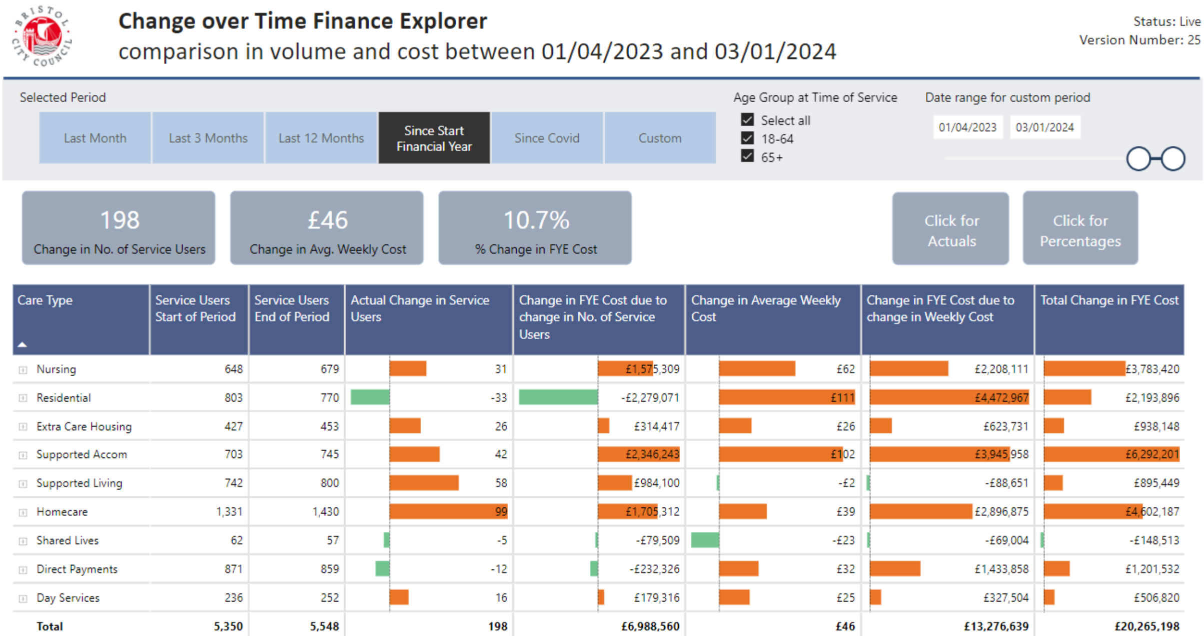
Adults and Communities

Adult Social Care & Communities and Public Health

6.26 Adult Social Care (ASC) continues to face significant demand and resource challenges in meeting care and support needs, with a provider sustainability issue from rising costs, significant inflationary pressures, and workforce pressures which continue to make this a challenging context for the service.

6.27 Since 1 April 2023, ASC has seen a 3.7% increase in the number of people who draw on long term care and support services and is currently supporting 5,548 people (as at 3 January 2024). This represents the equivalent of a 10.7% (full year equivalent) change in costs as set out below.

Figure 2: Adult Social Care Cost & Volume Changes since 1/4/2023



Care Type	Service Users Start of Period	Service Users End of Period	Actual Change in Service Users	Change in FYE Cost due to change in No. of Service Users	Change in Average Weekly Cost	Change in FYE Cost due to change in Weekly Cost	Total Change in FYE Cost
Nursing	648	679	31	£1,575,309	£62	£2,208,111	£3,783,420
Residential	803	770	-33	-£2,279,071	£111	£4,472,967	£2,193,896
Extra Care Housing	427	453	26	£314,417	£26	£623,731	£938,148
Supported Accom	703	745	42	£2,346,243	£102	£3,945,958	£6,292,201
Supported Living	742	800	58	£984,100	-£2	-£88,651	£895,449
Homecare	1,331	1,430	99	£1,705,312	£39	£2,896,875	£4,602,187
Shared Lives	62	57	-5	-£79,509	-£23	-£69,004	-£148,513
Direct Payments	871	859	-12	-£232,326	£32	£1,433,858	£1,201,532
Day Services	236	252	16	£179,316	£25	£327,504	£506,820
Total	**5,350**	**5,548**	**198**	**£6,988,560**	**£46**	**£13,276,639**	**£20,265,198**

6.28 The additional cost of supporting increased numbers of people, within a finite resource envelope, whilst also needing to deliver financial savings, has been a significant service challenge. At period 8 (as reported to Cabinet January 2024) ASC were forecasting an overall overspend of £2.2 million against its £194.0 million revised budget, with savings still to be achieved before the end of the financial year.

6.29 Adult Social Care divisions have continued to experience significant service pressures and associated financial risks in relation to adult purchasing budgets in 2023/24, with a £13.2 million risk of overspend in this area. This is a significant financial risk area with the current pressures as follows:

- older adult 65+, £6.5 million overspend
- working age adults, £8.1 million overspend
- preparing for adulthood, £1 million overspend
- which are partially offset by additional income contributions of £2.4 million.

6.30 Adult Social Care is continuing to work on its service transformation programme which seeks to both improve service delivery and, longer term, help create a more sustainable financial position.

6.31 As widely reported, the recruitment and retention difficulties experienced across the health and social care sector continue to be a significant challenge to ensuring timely provision of care and support.

6.32 For 2024/25 there are a number of expenditure pressures and investments needed to support adult social care (as set out in Table 5). These include demographic pressures and increased numbers and cost of young people transitioning from children to adult services.

Table 5: Breakdown of baseline expenditure pressures and investments – Adult & Communities

Year Incl. From	Investment	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 £m	Total £m
22/23	Demand and Demographic Growth	1.037	0.885	1.186	1.196	-	4.304
23/24	Preparing for Adulthood - Cost of Care	0.355	0.366	-	-	-	0.721
23/24	New Burden: New Better Care Fund	2.095	-	-	-	-	2.095
23/24	Environmental Health - Statutory Food Safety Inspections	0.085	-	-	-	-	0.085
24/25	Demand and Demographic Growth	-	-	-	-	1.000	1.000
24/25	New Burden for Transfer of Care - First Cohort	0.655	0.655	-	-	-	1.310
24/25	New Burden for Transforming Care linked to Hospital Discharge to the Community	-	1.966	-	-	-	1.966
24/25	Core Grants in Service: Market Sustainability and Improvement Fund	2.391	-	-	-	-	2.391
24/25	Core Grants in Service: Adult Social Care Discharge Fund	0.622	-	-	-	-	0.622
24/25	Core Grants in Service: Independent Living Fund	1.618	-	-	-	-	1.618
24/25	Core Grants in Service: Adult Social Care Market Sustainability and Improvement Fund - Workforce Fund	1.733	-	-	-	-	1.733

Total Adult & Communities	**10.591**	**3.872**	**1.186**	**1.196**	**1.000**	**17.845**

6.33 In addition, care provider contractual inflation uplifts for 2024/25 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 2024/25.

The Settlement - social care services funding

6.34 The Local Government Finance Settlement sets out proposals for social care services funding for 2024/2025. This includes the following funding streams:

- The Social Care Grant nationally will be £4.5 billion in 2024/25, an increase of £692 million. The Social Care Grant can be used on either adult or children's social care services. Bristol's share is £37.5 million
- £2.14 billion through the Improved Better Care Fund. This is the same quantum as 2023/24. The distribution is also unchanged and Bristol will receive £17 million
- An additional £200 million will be distributed in 2024/25 through the Discharge Fund to support timely and safe discharge from hospital into the community by reducing the number of people delayed in hospital awaiting social care. This will bring the overall size of the local authority component of the Discharge Fund to £500 million. Bristol's share of the discharge fund is £4 million.
- £1.05 billion in 2024/25 will be distributed for adult social care through the Market Sustainability and Improvement Fund (MSIF), which continues to include £162 million per year of Fair Cost of Care funding. It also includes £205 million MSIF - Workforce Funding (a 2-year fund announced in July 2023 which will be rolled into the existing MSIF). Bristol's share of this funding is £8.9 million.

Children, Families and Safer Communities Teams

6.35 2023/24 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 an even bigger pressure on the unit cost of these placements due to local sufficiency challenges.

6.36 To date, the rate of referrals has been higher in 2023/24 than in 2022/23, with our current number of looked after children's placements as at P8/Q2 standing at 1,442. This is due to a significantly higher number of referrals in May through to July, and in October and November. Re-referral rates in Bristol remain high with monthly peaks in July and September at 38.3% and 36.8% respectively with overall performance at 25% for the year to date compared to the national average of 22% and statistical neighbour average of 23%. After a significant improvement in referrals resulting in No Further Action (NFA) in October at 8.6% there has been an increase again to 17.1%. The national and statistical neighbour averages are 7% and 11% respectively.

6.37 Numbers of Children in Care have increased since September and there has been a steady decrease in the rate of these cases placed in foster placements. Short term stability of placement however remains good at 7% of children in care having 3+ placements in the past 12 months compared to 10% nationally and 11% for Bristol's statistical neighbours and a rate of 68% with long term placement stability slightly below Bristol's statistical neighbour's average of 70% and the national average of 69%. A new measure reported this year nationally has indicated the short-term stability details for those with 3 placements in the past 2 years. Bristol also performs well here at 17% compared to 22% nationally.

6.38 Overall placement costs have on average risen by 17%.

Table 6: Breakdown of baseline expenditure pressures and investments – Children and Families

Year Incl. From	Investment	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 £m	Total £m
22/23	Benefit from Invest to Save - Children's Placements Demand and Cost Pressures	(1.195)	(0.671)	-	-	-	**(1.866)**
22/23	Bristol Children's Home Staffing and Maintenance Costs	0.250	-	-	-	-	**0.250**
23/24	Placement costs - Additional Children From 2023/24	1.296	1.335	1.375	1.416	-	**5.422**
23/24	Additional Social Workers to Support Increasing Children's Numbers	0.054	0.055	0.056	0.058	-	**0.223**
23/24	Phoenix Court	(0.065)	-	-	-	-	**(0.065)**
24/25	Probation Checks & Local Authority Designated Officer (LADO) Changes in Guidance	0.084	-	-	-	-	**0.084**
24/25	Additional Pressures from Child Support Agency (CSA) Mandatory Reporting Requirements	0.055	-	-	-	-	**0.055**
24/25	Working Together Implementation	0.066	-	-	-	-	**0.066**
24/25	Children's Social Care Placement Demand Growth - additional children	0.328	0.338	0.348	0.359	0.359	**1.732**
24/25	Children in Need - Support for Children at Home	2.000	-	-	-	-	**2.000**
24/25	Prior Year Recurrent Service Pressures	7.897	-	-	-	-	**7.897**
Total Children and Families		**10.770**	**1.057**	**1.779**	**1.833**	**0.359**	**15.798**

Education

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

6.40 The number of EHC plans (EHCP) issued has also seen another significant in-year increase. In 2021, a total of 579 EHCPs were finalised for the first time. In 2022, this figure was 791, whilst to October 2023, 688 plans had been issued, with five months of the year remaining.

6.41 The Home to School Transport service remains under 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 – Educational Improvements

Year Incl. From	Investment	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 £m	Total £m
22/23	Home to School Transport Increased Demand	0.051	0.053	0.053	0.053	-	**0.210**
22/23	Special Educational Needs Support	0.385	-	-	-	-	**0.385**
23/24	Home to School Transport - Price and Volume	1.252	0.626	-	-	-	**1.878**
24/25	Prior Year Recurrent Service Pressures	4.150	-	-	-	-	**4.150**
Total Educational Improvements		**5.838**	**0.679**	**0.053**	**0.053**	**-**	**6.623**

Growth and Regeneration

6.42 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

6.43 While Bristol as a place continues to bounce back following the pandemic, 2023/24 has been challenging with continued pressures on Temporary Accommodation places, electricity and gas prices remaining significantly higher than before the war in Ukraine and the cost-of-living crisis. The table below outlines the emerging pressures that are now built into the base budget from 24/25 onwards.

6.44 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 2024/25.

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

Year Incl. From	Investment	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 £m	Total £m
23/24	BWC - Transfer of additional Waste Efficiencies	0.029	0.029	0.030	0.030	-	0.118
23/24	BWC - Facilities Management Net Annual Contractual Efficiencies	(0.005)	(0.019)	-	-	-	(0.024)
24/25	Prior Year Recurrent Service Pressures (Energy)	1.550	-	-	-	-	1.550
24/25	BWC Municipal Costs - Waste Growth and Demand Pressures	1.800	0.500	0.500	-	-	2.800
24/25	Increased Kennelling Costs	0.050	-	-	-		0.050
24/25	Core Grants in Service: Food Security Enforcement	0.014	-	-	-	-	0.014
Total Growth & Regeneration		3.438	0.510	0.530	0.030	-	4.508

Resources

6.45 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

Year Incl. From	Investment	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
23/24	Legal/Mortuary & Coroner Contract, Backlog and Staffing Cost	(0.058)	-	-	-	-	(0.058)
24/25	Additional phone lines required to ensure Payment Card Industry (PCI) Compliance	0.035	-	-	-	-	0.035
24/25	Revenues Income / Debt Collection	0.300	(0.300)	-	-	-	-
24/25	Leader's Office staffing	0.100	-	-	-	-	0.100
24/25	Committee Model staffing	0.300	-	-	-	-	0.300
24/25	Coroners - Deceased Transport Contract	0.123	-	-	-	-	0.123

24/25	Coroners - Histology & Toxicology Contract	0.082	-	-	-	-	**0.082**
24/25	Prior Year Recurrent Service Pressures	0.507	-	-	-	-	**0.507**
24/25	Core Grants in Service: Local Council Tax Support Admin Support Grant	0.724	-	-	-	-	**0.724**
24/25	Core Grants in Service: Family Annexe Council Tax Discount	0.009	-	-	-	-	**0.009**
Total Resources		**2.122**	**(0.300)**	**-**	**-**	**-**	**1.822**

Corporate expenditure

6.46 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 during the financial 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. Key areas of corporate expenditure include the following:

Levies

6.47 The council is obliged to pay several levies to external organisations, by far the largest of which is the transport levy due to WECA annually (further detail can be seen on WECA in section 12 below). In accordance with accounting requirements, these costs are included in the central accounts.

Pay Awards

6.48 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 2024/25, 5% is earmarked for pay and NIC assumptions, 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 and the outcome and actual requirement clear. 2025/26 onwards assumes a 2% pay award inflation factor.

Contract Inflation

6.49 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. 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 adults and children's social care, energy pricing, PFI contracts and waste contracts. Included within this is an additional contract inflation contingency provision to recognise the fluctuations and inflationary uncertainty and ensure sufficiency for any unexpected increases over the next financial year.

Table 10: Breakdown of corporate expenditure budgets

Corporate Expenditure	23/24 £m
Capital Financing	26.769
Corporate and Democratic Core and Levies	11.403
Other including Contract Inflation and Pay Awards	52.723
Total	**90.895**

Savings

6.50 In order to manage the continued pressures that are faced by the council savings have been assumed within the budget position outlined in this report. The delivery of a savings requirement is critical to support the balanced position of the budget given the sustained demand and growth pressures combined with government funding that is not keeping pace.

6.51 The council has consistently been required to apply savings over the last decade in response to the austerity measures starting in 2010, in order to ensure a balance budget. Of the savings identified in previous years, there are £13.6 million of proposals identified as deliverable during the 2024/25 to 2027/28 period. These are incorporated in the Appendix 8 to provide a full picture of the savings delivery required along with the new savings identified during this budget setting process.

6.52 Following the preparation of the Medium Term Financial Plan and the outline of the indicative budget gap the council has undertaken a prioritised three level approach, with a focus on:

- Maximising the financial benefit from our Top-4 transformation programmes and opportunities to invest to save
- Securing and more effectively utilising our external incomes
- Benchmarking services to identify opportunities for reductions, reviews and efficiencies.

6.53 The options generated from this approach identified the potential for net savings, income generation, efficiencies and transformation amounting to £21.7 million that were consulted on during November and December 2023.

6.54 Following the consultation feedback and further due diligence, engagement, impact assessment and validation some proposals were amended to reflect further development of the due diligence being undertaken.

6.55 There were also a few new items proposed considering the financial gap that remained to be closed that were not sufficiently developed at the time of the consultation. The changes since consultation are detailed in the tables below.

Table 11: Savings amended following consultation

Savings Ref	Description	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 £m	Total £m
24/25-GR007	Alternative investment in sustainable transport	10.300	(4.000)	-	-	-	6.300
24/25-CEN001a	Review fees and charges *(alignment by directorate)*	0.116	-	-	-	-	0.116
24/25-CEN001b	Review fees and charges *(alignment by directorate)*	0.479	-	-	-	-	0.479
24/25-CEN001c	Review fees and charges *(alignment by directorate)*	0.030	-	-	-	-	0.030
TOTAL		**10.925**	**(4.000)**	**-**	**-**	**-**	**6.925**

Table 12: New savings added (including Invest to Save)

Savings Ref	Description	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 £m	Total £m
24/25-CE003	New operating model for Children and Education directorate	0.200	0.400	0.400	-	-	1.000
24/25-R004	Reduce spend on discretionary areas of Learning and Development	0.050	-	-	-	-	0.050
24/25-ITS2/3/4/5/7	Children's Homes Sufficiency	-	0.390	0.570	-	-	0.960
24/25-ITS1/8/10	Fostering Sufficiency	-	0.159	0.159	-	-	0.317
TOTAL		**0.250**	**0.949**	**1.129**	**-**	**-**	**2.327**

6.56 The summary of the proposals put forward as part of this budget amount to £24 million of savings in the 2024/25 financial year, and £1.8 million for future years (full details of the savings recommended for approval are set out in Appendix 8).

6.57 An optimism bias contingency for the new proposals of £4.8 million has been set aside over the 5 years, a 19% value that is reflective of the in-year delivery having been seen in 2023/24. 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.

6.58 As part of budget 24/25, previously approved budget savings of £4.5 million have been removed. This is where savings were outlined initially in their infancy and following due diligence and further assessment were established as being undeliverable in the manner originally planned, or where circumstances have changed resulting in the savings no longer being deliverable.

Table 13: List of prior year savings removed from budget 2024/25

			23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	TOTAL
Growth & Regeneration	2223-GR055	Increase fees for Pay and Display Parking Bays	0.200	-	-	-	-	0.200
Growth & Regeneration	IN27b	Generating and saving money through energy generation and efficiency	0.230	-	-	-	-	0.230
Adults, Community & Public Health	2324-P1	Bristol Community Links Service	-	0.687	-	-	-	0.687
Growth & Regeneration	NEW2223_GR028	Review Museums and Archive Service	-	0.371	-	-	-	0.371
Resources (& Shareholding)	2324-R20	Local council tax reduction scheme	-	3.025	-	-	-	3.025
TOTAL			**0.430**	**4.083**	**-**	**-**	**-**	**4.513**

Long Term Shareholdings and Other Investments

Shareholdings

6.59 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.

6.60 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.

6.61 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.

6.62 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 2024/25 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 Council on 9 January 2024, the total estimated deficit on the Collection Fund for 2023/24, including any brought forward balances is £3.710 million. The Bristol share of this deficit, debited to the general fund in 2024/25, is £4.528 million and includes £1.030 million owed to central government. However, Bristol's share of this deficit can be met from unbudgeted additional business rates income brought forward from 2023/24.

8. Council Tax 2024/25

Council tax precepts

8.1 The threshold for increasing the council tax for 2024/25 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 9 January 2024 Full Council approved the tax base for the year 2024/25 as 134,752. This represents an increase of 3.93% on the previous year's tax base (129,654).

Council Tax by band

8.3 It is recommended that the following amounts be submitted for agreement by Full Council for the year 2024/25:

- £282,398,335 being the sum to be met from council tax in 2023/24 for services provision (£258,801,053 in 2023/24)

Bristol City Council's share of council tax for the year 2024/25 for the services it provides for each category of dwelling is shown as follows:

Table 14: 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 £
2024/25 Council Tax	1,397.13	1,629.98	1,862.84	2,095.69	2,561.40	3,027.11	3,492.82	4,191.38

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
Percentage Increase	**4.99%**	**4.99%**	**4.99%**	**4.99%**	**4.99%**	**4.99%**	**4.99%**	**4.99%**
Annual Increase	**66.40**	**77.46**	**88.53**	**99.60**	**121.72**	**143.86**	**165.99**	**199.18**

Empty and second home premiums

8.4 The government has enacted the Levelling Up and Regeneration Act that has made changes to discretionary council tax premiums on empty homes and introduced a potential discount on unoccupied furnished homes.

8.5 Full Council is asked to approve that the following council tax premiums be applied,

- 100% premium for properties which have been empty and unfurnished for a period of between 1 (previously 2) and 5 years effective 1 April 2024
- 100% premium (or the % limit as specified in any regulations) for properties that are substantially furnished but where there is no resident effective 1 April 2025.

8.6 Further details can be found at Appendix 12

8.7 In order to support residents that have difficulty with this increase, Bristol City Council continues to be one of very few authorities to provide a fully funded local Council Tax Reduction Scheme (CTRS) that helps working age households on a low income with up to 100% of their council tax costs. This is also true for pensioners and means a total scheme cost of £43.4 million, assisting over 32,200 households.

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: Cabinet: 23/01/2024

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 2024/25 DSG is £28.8 million (6.2%) giving a total DSG of £491.7 million.

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

Table 15: DSG funding allocation by block

Block	Purpose	Current 23/24 Allocation £m	24/25 Allocation as at Dec 23 £m	Increase £m	Increase %
Schools Block	For distribution through the formula for mainstream schools and academies and for growth in schools	336.192	344.325	8.133	2.42%

Central School Services Block	For local authority core functions, admissions, and historic commitments	2.717	2.696	(0.021)	(0.77%)
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	86.645	89.535	2.890	3.34%
Early Years Block	Funding for distribution to Early Years settings for 0-2, 2, and 3-4 year old early years provision, with some provision for central oversight and co-ordination	37.432	55.180	17.748	47.41%
Total DSG Allocation		**462.986**	**491.736**	**28.750**	**6.21%**

Schools Block

9.4 The Schools Block total is £344.3 million and made up of the following:

- Pupil led DSG funding £330.1 million - this is the sum allocated to the LA based on the number of pupils recorded in the October 2023 census
- Premises led funding £12.2 million - element of the Schools Block DSG that recognises costs not defined by pupil numbers or characteristics
- Growth Funding £2.0 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

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 2023 census counted 34,671 primary age pupils, down from last year's 35,001. Secondary is based upon 21,789 pupils, up from last year's 21,376. The Minimum per Pupil funding levels are a mandatory item in the formula and the rates are dictated by the NFF. For 2024/25 the primary rate is £4,610 and £5,995 for secondary school pupils.

9.7 In developing the formula for 2024/25, 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 2024/25
- The Minimum Funding Guarantee (MFG) to be set at +0.0%
- The lump sum to be maximised at £139,849 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 £1.7 million**

Schools Forum agreed to the transfer of 0.5% of the Schools Block to the High Needs Block at its meeting in November 2023 and the funding is to be earmarked to support the demand in High Needs. 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 2024/25 is estimated at £1.2 million, leaving £0.8 million for new commitments that may arise during the admissions round.

9.10 The Minimum Funding Guarantee was set at +0.0% in line with prior years, 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.

9.11 Subject to approval of the draft formula by Schools Forum and the ESFA, overall 110 of the 127 schools are set to receive an increase in cash funding in 2024/25, whilst 17 schools are set to receive less funding than in 2023/24. In all 17 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.

9.12 Details of the Schools Block allocation and funding formula can be viewed by the hyperlink in paragraph 9.1 above.

High Needs Block

9.13 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 £59.1 million.

9.14 With agreement from the Schools Forum, £1.7 million (0.5%) is proposed for transfer from the Schools Block to the High Needs Block to support increasing demand within that area.

9.15 Despite this additional funding, it is anticipated that the High Needs Block will continue to experience significant pressures. The High Needs Block in year deficit is assumed to be circa £17.4 million based on current forecasted CYP needs.

Table 16: High Needs Block forecast

High Needs Block	Prior Years £m	2023/24 £m	2024/25 £m
Total Annual Funding (Incl. Block Transfers)		86.6	91.2
Estimated Budget Requirement		(103.2)	(108.6)
Net Annual HNB Deficit		(16.6)	(17.4)
Accumulated HNB Deficit	**(42.5)**	**(59.1)**	**(76.5)**

Early Years Block

9.16 The allocation for Early Years for 2024/25 is £55.2 million. This allocation is still indicative at this stage as the majority of the funding in this block is based on census data in January 2023 and January 2024, and the actual amount will be updated by ESFA once these census figures are known.

9.17 Following sector consultation, the funding allocation proposed to be paid for the early years sector is as below:

- The rates that the LA is proposing to pay to providers for 2024/25 are:
  - 3 and 4 year olds: £5.08
  - 2 year olds: £7.82
  - under 2 year olds: £10.77
- The small increase in the 3 & 4 year olds funding rate proved unappealing to the sector, however as much as was affordable was included and due to funding regulations and restrictions, no further increase is possible without reducing the supplements (which were overwhelmingly supported). The Early Years team is of the opinion that the significantly higher rate for under 2s overshadowed the older age range rates.

9.18 The authority has 60 maintained schools (nurseries, primary, PRU and special). The proportion of these schools that are forecasting a cumulative overall deficit in the year ending 31 March 2024 is 22 (36%), with a cumulative net schools revenue balance of £4.2 million deficit. The current financial climate is challenging for the education sector and the financial health of mainstream schools is deteriorating mainly due to factors such as historical patterns of funding, pupil numbers, post pandemic impact, rising staff and other inflationary costs, the collective effect of which is having a significant impact.

Table 17: Bristol maintained schools 23/24 Q2 forecast position – deficit/(surplus)

Maintained School Type	Opening balance at 01.04.2023 £m	2023/24 In year forecast position (as at Q2) £m	2023/24 forecast closing balance as at 31.03.2023 £m	Total number of schools forecasting end of year cumulative deficit at 31.03.2024
Nursery	7.050	0.165	7.215	11 out of 12
Primary	(3.644)	1.460	(2.183)	8 out of 40
PRU / Special	(1.293)	0.476	(0.819)	2 out of 6
Secondary	(0.392)	0.371	(0.021)	1 out of 2
Total sum	**1.721**	**2.473**	**4.194**	

9.19 The additional funding to support the nursery sector in particular is welcomed and work is underway to ensure a sustainable medium term position can be achieved and a positive cumulative position restored. 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 2024/25 of £2.7 million which has been agreed by the Schools Forum. This total is composed of two distinct components:

- on-going functions £2.314 million which has increased from 2023/24 (£2.240m); and
- historic commitments £0.382 million, a decrease of 20% from £0.477million in 2023/24

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 2024/25 has reduced by 0.8% (£0.021m)

Overall DSG

9.23 The DSG is forecasted to start the year with a brought forward deficit of £58.2 million and the key financial pressure within the DSG is in the High Needs Block. The overall DSG for 2024/25 is £491.7 million, with estimated 2024/25 spend of £510.8 million. The DSG cumulative deficit is forecast to reach £78.3 million by the end of 2024/25.

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

Table 18: Forecast block budgets after movement between blocks and carry forward amounts

DSG Blocks	Balance brought forward from 2023/24 (forecast) £m	2024/25 DSG Allocation £m	Movement between blocks £m	Final DSG budget 2024/25 £m	Estimated spend 2024/25 £m	Carry forward balance at end of 2024/25 £m
School Block	(0.787)	(344.325)	1.721	(342.604)	342.604	(0.787)
De-delegation	(0.528)	-	-	-	-	(0.528)
Central Services Block	-	(2.696)	-	(2.696)	2.696	-
High Needs Block	59.197	(89.535)	(1.721)	(91.256)	109.246	77.187

Early Years	0.307	(55.180)	-	(55.180)	55.180	0.307
Total	**58.189**	**(491.736)**	**-**	**(491.736)**	**509.726**	**76.179**

*Figures are based on latest allocations published in December '23

9.25 Although the additional High Needs funding is clearly welcome, it is significantly below the expenditure currently being incurred in the High Needs Block and leaves no growth or additional funding to address the historic deficit.

9.26 Statutory Instrument (SI) No.1212 of 2020: The then Secretary of State for Housing, Communities and Local Government laid the statutory instrument (SI) no 1212 before Parliament on 6 November 2020 and it came into force on 29 November 2020. The impact of the SI is to amend the current accounting regulations to allow all DSG deficits to be carried over in a separate dedicated account and therefore not at a charge to the council's revenue account for the term of the override.

9.27 The SI is time-limited and is now due to end on 31 March 2026. Councils are expected to use this period to develop and implement changes to allow the High Needs Block to reach a sustainable position.

9.28 There is no statutory undertaking requiring councils to underwrite DSG deficits and DfE have not provided any clarity regarding how, when or if the deficit will be funded in the longer term. The council therefore would have to ensure there are adequate usable reserves to cover any DSG deficit and a clear plan for sustainability when preparing the council's accounts if the period of the SI is not extended by government beyond 2026.

Table 19: DSG - summary forecast financial position

Overall DSG position Income/surpluses are shown as negatives	2024-25 Forecast £m	2025-26 Forecast £m	2026-27 Forecast £m	2027-28 Forecast £m	In year balance achieved 2028-29 Forecast £m
Brought Forward Unmitigated deficit	**56.076**	**88.392**	**130.997**	**179.370**	**234.441**
Unmitigated annual funding gap	32.315	42.606	48.373	55.071	60.023
Carried Forward Unmitigated deficit	**88.392**	**130.997**	**179.370**	**234.441**	**294.464**
Annual Indicative Proposed Mitigations	(9.559)	(19.630)	(32.247)	(45.196)	(58.577)
Other income	(2.655)	(3.131)	(3.704)	(4.106)	(4.475)
Mitigated annual funding gap	**20.102**	**19.844**	**12.421**	**5.769**	**(3.029)**
Brought Forward deficit	56.076	76.179	96.023	108.444	114.213
Carried Forward Mitigated deficit	**76.179**	**96.023**	**108.444**	**114.213**	**111.184**

9.29 The DSG conditions of grant require any local authority with an overall DSG deficit to produce and maintain a DSG Management Plan (DMP). Table 19 gives a summary of the council's current DMP.

9.30 The DMP consists of an initial unmitigated forecast of the overall DSG deficit which is based on extrapolating existing trajectories for demand, complexity of needs and constraints on specialist provision and also incorporates an assumed reduction in the existing backlogs in both assessing the needs of children and young people and their subsequent placement in specialist SEND provision.

9.31 Extensive work with key stakeholders has continued during 2023/24 to develop and validate a set of viable mitigations which will, collectively, enable the council to reduce, and eventually eliminate, the ongoing overspends on the DSG High Needs Block. These mitigations have been modelled and their combined effect can be seen in the Annual Indicative Proposed Mitigations and the Mitigated Annual Funding gap lines in Table 19. Overall, the successful delivery of all the proposed mitigations is projected to result in the DSG achieving an in-year balanced position during 2028/29.

9.32 In considering the DSG net carry forward position the council should also note the LA maintained schools' balances forecast position illustrated in the table below.

Table 20: maintained schools' balances forecast position – deficit/(surplus)

2023/24 Bristol LA Maintained Schools Summary	2023/24 closing Balance forecast at Q2 £	2023/24 in year balance forecast at Q2 £	Number of schools with cumulative deficit at 31/3/2024	Number of schools with deficit variance to Q1
Nursery	7,215,354	165,269	11 of 12	No change
Primary	(1,907,703)	998,676	5 of 28	No change
Primary with Nursery Class	(275,696)	461,531	3 of 12	Increase of 1
Secondary	(21,118)	370,547	1 of 2	Increase of 1
Special	(491,730)	297,665	2 of 5	Increase of 1
Pupil Referral Unit	(325,124)	178,822	0 of 1	No change
Sub-total	**4,193,983**	**2,472,511**	**22 of 60**	
Bristol LA Children Centres	640,499	99,167	1 of 1	No change
Sub-total with children centres	**4,834,482**	**2,571,678**	**23 of 61**	
Total	**4,834,482**	**2,571,678**		

9.33 The main challenges are within maintained nursery schools (MNS). In order to support developing sustainable operating models for MNS, the Early Years Service (EY) continues to work with nursery headteachers and governors to utilise funding agreed with Schools Forum in November 2023 to underwrite the deficit situation whilst recovery plans are developed.

9.34 All schools forecasting deficit positions have been notified to produce robust recovery plans to secure their long-term financial sustainability. Discussions are being held with schools' leadership team and schools' governing bodies to explore solutions.

Education and Financial Service colleagues are working closely with the schools on their recovery programmes.

9.35 To date two nursery schools and one primary school have approved licenced deficit plans, with the remainder continuing to develop satisfactory recovery plans, with the primary school plan achieving a recovered position in 2025/26 and the two nursery school plans recovering by 2027/28.

9.36 To support schools whilst they recover their financial situations, the LA proposed, with endorsement from Schools Forum, the use of bridging funding of £1.102 million of earmarked reserves to underwrite the deficit. This £1.102 million is composed of funding from the closed school surplus (£0.517m), the schools in financial difficulty reserve (£0.335m) and from TWS reserves (£0.250m). An additional grant of £0.675 million has also been made available by the ESFA for the support of maintained schools (including nursery schools) in financial difficulty. The ESFA provides separate alternative dedicated support directly to academies that are in financial difficulty. This additional funding stream increases the financial support available to underwrite the schools with deficit positions and in difficulty to £2.047 million.

9.37 This £2.1 million mitigation of additional funding is earmarked by the council and Schools Forum to support schools whilst they recover their financial situations. After the reversal of legacy revenue contributions to capital for schools in deficit and removal of the deficit attributed to a school that has closed in year where the deficit will transfer to the general fund earmarked reserve, this leaves a small forecast positive variance of £0.1m on the reserve. Schools block and early years funding in the DSG has increased by a welcome 8.9%, this may not be sufficient to mitigate the deficit in all schools and settings but should return the net position to a more favourable surplus.

Table 21: Funding to support LA Maintained Schools in financial difficulty

	Funding Source	Description	Available funding £m	Proposed redesignation £m
1	2022-23 school block surplus	£270k growth fund underspend plus £517k underspend from closed schools	0.787	0.517
2	De-delegation surplus	Schools in Financial Difficulty	0.335	0.335
3	TWS Reserve		0.250	0.250
Subtotal			**1.372**	**1.102**
4	ESFA grant for schools in financial difficulty	Additional funding for LA maintained schools in financial difficulty	0.675	0.675
Total			**2.047**	**1.777**

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.

10.2 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 2023/24 was £35.9 million. The indicative allocation for 2024/25 is expected to be £36.2 million.

Table 22: Public Health Budget 2024/25

Public Health Budget 2024/25	Indicative Budget £m
Sexual Health Services	9.700
NHS health check programme	0.436
Health Protection	0.452
Public Health Support to ICB	0.117
Healthy Weight and Physical Activity	1.830
Substance Misuse	9.826
Smoking and Tobacco Control	0.540
Children and Young People	14.385
Public Mental Health	0.043
Community Health Development	1.176
Impact Fund and Advice	0.673
Domestic Abuse and Sexual Violence	1.248
Intelligence, Quality and Governance	1.153
Overheads and Running Costs	1.016
Public Health Spending Related to Covid	0.668
Total Expenditure	**43.263**
Public Health Grant Allocation	(36.187)
Joint Partnership Income	(6.408)
Drawdown from COMF Reserve	(0.668)
Drawdown on PH Grant Reserve	-
Total Income	**(43.263)**

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 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 £4.64 million (as at 1 April 2023). 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 can be found here: Cabinet: 23/01/2024

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 £90.76, whereas the average social rent in England is £98.20. The 2024/25 budget proposes a rent increase of 7.7% in line with the Rent Standard requirements of September CPI +1%. This increase means average weekly rents will rise to £97.75.

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 2024/25 the budget is £151 million (£13.6 million increase 2023/24), compromising of £135.6 million rental income (net, after allowing for rent loss for empty properties), £13.4 million service charges (based on actual costs, plus an inflationary uplift) and £1.2 million charges for other assets, including garages, shops, as well as an expected £0.8 million relating to Social Housing Decarbonisation Fund revenue grant. In addition to the above, interest on balances is expected to be £2.8 million.

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 remain significant inflationary pressures, particularly in relation to materials for developing new homes and improving existing housing stock and for new contracts. This has particularly impacted budget requirements for repairing, maintaining and improving homes and blocks, including fire safety works.

11.9 The 2024/25 budget is outlined in the table below with a prior year comparator.

Table 23: HRA Budget 2024/25

Proposed 2024/25 HRA Budget Income and Expenditure	2023/24 Budget £m	2023/24 P8 Forecast £m	2024/25 Proposed Budget £m	Movement £m
Dwelling Rents	(127.153)	(125.878)	(136.317)	(10.439)
Voids	1.637	1.863	0.725	(1.138)
Non-Dwelling Rents	(1.115)	(1.035)	(1.114)	(0.079)
Charges for Services and Facilities	(10.735)	(11.805)	(13.397)	(1.592)
Contributions Towards Expenditure	-	(0.030)	(0.879)	(0.849)
TOTAL INCOME	**(137.366)**	**(136.885)**	**(150.982)**	**(14.097)**
Repairs & Maintenance	40.058	44.348	43.895	(0.453)
Supervision & Management	34.953	37.203	39.492	2.289
Special Services	16.431	14.525	14.491	(0.034)
Rents, rates, taxes and other charges	0.851	0.109	0.586	0.477
Depreciation & Impairment of non-current assets	31.258	31.258	31.535	0.277
Debt Management	0.041	0.041	0.041	-
Movement in doubtful debt provision	1.370	2.520	1.469	(1.051)
TOTAL EXPENDITURE – CORE SERVICES	**124.962**	**130.004**	**131.509**	**1.505**
NET COST OF HRA SERVICES	**(12.404)**	**(6.881)**	**(19.473)**	**(12.592)**
Interest & Investment Income	(0.457)	(7.500)	(2.822)	4.678
Net interest payable, pension costs and other non-operational charges	11.374	11.374	13.229	1.855
Capital Expenditure funded from revenue	47.681	47.681	25.915	(21.766)
(surplus)/deficit for the year on HRA Services	**46.194**	**44.674**	**16.849**	**(27.825)**
Waking Watch	8.000	9.280	2.100	(7.180)
Draw Down (From)/To Reserves	(54.194)	(53.954)	(18.949)	35.005
NET	-	-	-	-

11.10 Reasons for movement on the HRA budget between 2023/24 and 2024/25 are:

- Rents - the proposed budget assumes that rents are increased by 7.7%, generating an additional £10.4 million in income in 2024/25. This figure includes those properties estimated to come into use during 2024/25 through development and acquisition.
- Net cost of HRA services – the increase in the budget for 2024/25 is due to additional compliance and health and safety works required, through both the

repairs programme and Housing Investment Plan (HIP), as well as an increased development programme driving additional borrowings and increased interest costs, offset to some degree by an increase in anticipated investment income on cash balances.

- 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 2024/25 to 2033/34 is £2.27 billion. The full details can be accessed via the hyperlink to the Cabinet reports in section 11.1, the overview is provided in 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 2023 and this report provides an update on the refreshed business plan, reflecting the delivery of the new build programme, current policy and finances, increased borrowing costs and wider economic considerations. 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 3,082 new council homes to support city aspirations in delivering more affordable housing by 2028/29 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 and deliver additional much needed social housing.

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, which would increase borrowing capacity. Similarly, increases in inflation, and in particular rent inflation, would add 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 6.7% for April 2024, 2% thereafter
- Rents increasing at 7.7% in April 2024, then CPI plus 1% between 2024/25 - 2027/28, and then CPI thereafter. All new lets and 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 £1.76 billion over the 30 years using the latest HIP figures
- £63 million (being the remaining balance of the £80m previously reported) of investment in energy efficiency to bring properties up to EPC rating C by 2030. It is anticipated that this level of investment could be further enhanced through the application for grant funding
- £100 million for fire safety works over a 10 year period
- £1.8 million of investment over 3 years for improvements to communal blocks and estates
- £83 million for a bathroom replacement programme in council homes by 2027
- £946 million from 2024/25 over 5 years - a range of new development schemes delivering a total of 1,715 of new council properties
- £3.14 billion invested into delivering new council homes over the lifetime of the plan
- The inclusion of loans directly attributable to the HRA totalling £1.90 billion, including £244.6 million of 'core debt' associated with the self-financing arrangements agreed in 2012.

11.19 The HRA will require projected borrowing totalling £1.22 billion 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 (£26m being the equivalent of 3 months cashflow and a £5 million provision to provide further resilience against economic uncertainty and risk exposure). Any new borrowing is subject to a maximum term of 50 years where utilised for the delivery of new homes, and 30 years when invested in existing stock, and must be repaid in full. These assumptions and constraints are contained within the Business Plan.

HRA Reserves

11.20 As at the beginning of 2023/24 the HRA General Reserve balance was £98.7 million (estimated £45.8m, 1 April 2024) and the Unapplied Capital Reserves balance was £67.0 million. The 2024/25 budget proposal assumes that £18.9 million of the General HRA reserve (to fund capital expenditure) and £27.7 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 £26.8 million as at 31 March 2025 and £48.9 million on the Capital Receipts reserve. The HRA will maintain a minimum level of reserves on the General Reserve at £26 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

12.1 The West of England Combined Authority (WECA) was formed in 2017 by Bath and North East Somerset, Bristol and South Gloucestershire councils. Since its formation over £1.7 billion of new funding has been secured for the West of England.

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 Combined Authority is funded through the transport Levy, government grants and a small element of regional business rates retention growth (which would not have been available without forming the Combined Authority).

12.5 WECA and its partner authorities agreed five strategic investment priorities, which the budget will support as listed below:

- Climate and ecological emergency
- Sustainable communities and places
- Jobs and training
- Strategic infrastructure
- Putting the region on the map for national and global success

12.6 The levy charge for Bristol is £10.235 million in 2024/25. Unitary Authority levies are pooled by the Mayoral 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.

12.7 Within the City Region Sustainable Transport Programme, the Mayoral 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. Bristol Council's share is £8.7 million per annum. An additional new pothole funding award was also announced in November 2023 with Bristol City Council allocation for 2024/25 being £1 million.

12.8 The published WECA investment programme will continue to support a number of projects and initiatives for our Unitary Authority throughout 2024/25.

12.9 The Mayoral Combined Authority is not currently permitted to raise Council Tax to fund any of its activity and therefore no precept will be requested.

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

13. Capital Programme 2024/25 to 2033/34

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 period of cost restraint and low growth.

13.2 The council's capital strategy which was approved in October 2023 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 in alignment with asset management plans. The approach is for capital investment 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 capital strategy included the affordability ratios which have been adhered to in developing the proposed 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 interest cover ratio of at least 1.25, new debt repayment and minimum reserves
- Subsidiary loan / liability exposure – lower of 10% CFR, £70 million
- 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 A review undertaken in 2023-24 to support a programme reprioritisation identified the following new and emerging priority capital investments, which arise from the need to meet the council's principal obligation to keep the public safe and protect its assets, these are summarised in the table below.

Table 24: New Capital Investments

New capital investments	2024/25 £m
'New Cut' Harbour walls	6.100
Hybrid tech and AV equipment	1.000
IT end user devices and peripherals	0.650
Investment into the Bristol Operations Centre	0.700
Replacement of grounds maintenance machinery	0.450
Management of council land for nature initiative	0.450
External electrical repairs in parks (health and safety)	0.400
Amphitheatre power upgrade	0.800
Canford Chapel heating	0.050
TOTAL NEW CAPITAL INVESTMENTS	**10.600**

13.6 These pressures amount to £10.6 million over the life of the capital programme. The review further identified underspends or contingencies that can be released totalling £3.33 million and are detailed in table below.

Table 25: Identified Underspends

Identified underspends or contingencies that can be released	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Western Harbour	(0.280)			**(0.280)**
Bristol Beacon	(1.500)			**(1.500)**
Metrobus			(1.550)	**(1.550)**
Total	**(1.780)**	**-**	**(1.550)**	**(3.330)**

13.7 Alongside these underspends and or release of contingencies, further reprioritisation has identified the availability of additional CIL monies and a prudent redirection of 25% of the capital corporate contingency. In total this has enabled £23.299 million of funding to be made available to meet both Invest to Save and emerging pressures. The outcome of these reviews is presented below.

Table 26: Invest to save and emerging pressures fund

Available Funding	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Existing Invest to Save Budget	-	(1.248)	(2.500)	-	-	(3.748)

Additional CIL (2023/24 - 2024/25)	(5.002)	-	-	-	-	(5.002)
Redirection of 25% of Corporate Capital Contingency	(4.881)	(2.500)	(2.500)	(1.338)	-	(11.219)
Identified Underspends and or Release of Contingencies	(1.780)	-	(1.550)	-	-	(3.330)
Invest to Save & Pressures Funding	**(11.663)**	**(3.748)**	**(6.550)**	**(1.338)**	**-**	**(23.299)**

13.8 Part of the fund will be earmarked for 'invest to save' projects across the 4 years 2024/25-2027/28. This approach was outlined as part of the consultation process. Following detailed analysis and review of a number of proposals, 2 children's services projects are to be taken forward for inclusion in the capital programme. These two projects relate to increasing fostering care placements and locally provided care placements in children's homes. Both projects assume positive returns for re-investment resulting from lower internal in-house care costs compared to expensive out of area and independent provision. A further phase (Phase 2) of ITS schemes, which includes property transactions for supporting Temporary Accommodation and Adult Social Care, continues to be explored.

13.9 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 size and complexity, 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. Based on an assessment of risk, a sensible reduction to the general Fund contingency has been applied leaving £7.5 million per annum.

13.10 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.

13.11 The most significant investment schemes in the capital programme 2024/25 to 2033/34 are:

- Investment in the council's housing stock, including the new build and major refurbishments programmes through the Housing Revenue Account (HRA) (£2.3bn)
- Highways and traffic infrastructure (£94m)
- Housing delivery programmes to accelerate the delivery of new homes, in particular affordable homes through enabling, grant funding and land release (£50m)
- Temple Meads Development (£33m)
- Bristol Avon Flood Strategy & Investment (£20.4m)

13.12 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 27: Community Infrastructure Levy (CIL) approved schemes

Strategic CIL Summary	Totals £m
Formally Allocated	
GR08 Bedminster Green Regeneration	(5.266)
PL30 Southmead/Glencoyne Regeneration	(7.277)
PL34 Lawrence Weston Community Hub	(0.650)
GR12 Bristol Avon Flood Strategy (BAFS)	(20.395)
CRF2 Youth Zones	(1.906)
NH02A Invest in Parks Sports Outdoor Equip & Facilities	(1.446)
GR10 Improvements to Local Centres	(1.465)
PL30 Housing Trinity Rd Police Facility/Guinness Partnership	(1.500)
Whitehouse Street Framework	(0.600)
Castle Park City Centre Delivery Plan	(1.200)
Full Council 2022/23 Budget Report - Awaiting Approval of Business Case	
GR11 Cribbs/Patchway New Neighbourhood Development (CPNN)	(1.000)
Full Council 2023/24 Budget Report - Awaiting Approval of Business Case	
GR07A Strategic Capital Fund - Transport	(1.400)
GR07A Strategic Capital Fund - Parks & Green Space	(2.000)
Full Council 2024/25 Budget Report – seeking approval	
Invest to Saves Schemes (subject to meeting CIL criteria)	(5.002)
Total allocated	**(51.107)**

General Fund Capital Programme

13.13 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.

13.14 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.

13.15 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.

13.16 The table and graphs below summarise our current capital spending plans for the next ten years that total £2.722 million. The detailed draft programme and its financing are set out in Appendix 2.

Table 28: Capital programme summary

23/24 £m	Description	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 to 33/34 £m	Total £m
5.633	Resources	2.658	0.534	-	-	-	**3.192**
131.219	Growth & Regeneration	146.713	67.278	28.577	16.610	14.000	**273.178**
0.998	Adult & Communities	7.803	5.851	-	-	-	**13.653**
16.539	Children & Education	40.587	13.580	8.179	0.050	0.050	**62.447**
9.944	Corporate	12.326	8.063	7.500	5.422	-	**33.311**
0.976	Pending Schemes	11.589	17.163	14.945	4.601	20.898	**69.196**
108.467	Housing Revenue Account	358.038	312.891	232.846	249.159	1,114.124	**2,267.058**
273.776	**Total**	**579.713**	**425.360**	**292.047**	**275.842**	**1,149.072**	**2,722.035**
	Financed by:						
52.655	Prudential Borrowing	73.721	36.892	6.650	4.044	1.550	**122.858**
62.852	Grant	72.461	26.138	21.665	3.500	3.500	**127.264**
13.393	Capital Receipts (GF)	19.150	12.244	12.712	5.519	1.998	**51.623**
4.364	Developer Contributions	17.110	14.000	5.225	4.620	18.900	**59.855**
-	Revenue/Reserves (GF)	-	-	-	-	-	**-**
32.046	WECA/Economic Development Fund	39.233	23.195	12.949	9.000	9.000	**93.377**
108.467	Housing Revenue Account	358.038	312.891	232.846	249.159	1,114.124	**2,267.058**
273.776	**Total**	**579.713**	**425.360**	**292.047**	**275.842**	**1,149.072**	**2,722.035**

HRA Capital Programme

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

Table 29: HRA capital budget summary

Ref	Description	2023/24 P8 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 to 2033/34 £m	Total £m
HRA1	Planned Programme Major Works	50.213	95.979	110.950	92.980	80.407	406.399	**786,715**
HRA1	Fleet replacement	-	5.000	-	-	-	-	**5.000**
HRA2	New Build & Land Enabling	56.465	255.757	201.463	139.866	168.752	707.725	**1,473.563**
HRA3	HRA IT Infrastructure	1.789	1.302	0.478	-	-	-	**1.780**
GROSS HRA CAPITAL		**108.467**	**358.038**	**312.891**	**232.846**	**249.159**	**1,114.124**	**2,267,058**
Capital Financing								
	Capital receipts	(12.341)	(27.690)	(15.319)	(27.074)	(39.275)	(232.744)	**(342.132)**
	Capital Grants	(6.017)	(82.089)	(65.509)	(44.676)	(20.813)	(41.170)	**(254.257)**
	Prudential Borrowing	-	(185.218)	(185,945)	(115.669)	(150,906)	(572,193)	**(1,209,931)**
	Major Repairs Allowance	(34.160)	(31.535)	(32.165)	(32.809)	(33.465)	(215.322)	**(345.296)**
	Other Contributions	(3.140)	(4.789)	(5.939)	(8.700)	-	(9.400)	**(28.828)**
	Revenue Contribution	(52.809)	(25.915)	(8,013)	(3.917)	(4,700)	(43,265)	**(86,612)**
TOTAL FINANCING		**(108.466)**	**(358.038)**	**(312.891)**	**(232.846)**	**(249.159)**	**(1,114.124)**	**(2,267,058)**
NET HRA CAPITAL PROGRAMME		-	-	-	-	-	-	-

13.18 The HRA development programme (2024/25 to 2028/29) aims to deliver 3,082 additional council homes, requiring £946 million investment. This rolling programme will see:

- Approximately 2,544 new homes delivered by 2027
- A further 538 are anticipated by 2029.

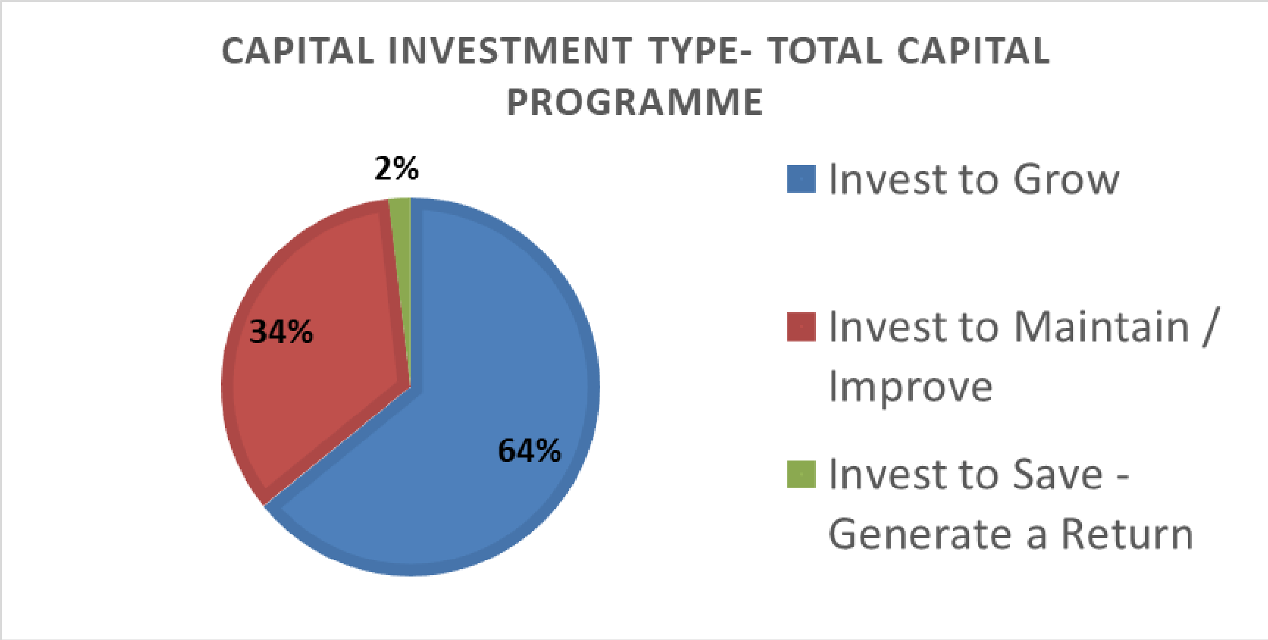
13.19 The capital programme detailed above demonstrates the council's commitment to ensuring existing tenants homes are as safe, secure, warm and energy efficient as possible, as well as ensuring we continue to deliver new homes to help meet Bristol's housing crisis. However, we do acknowledge that such significant ambitions are subject to the constraints of market capacity to deliver. Market conditions will be kept under constant review during 2024/25. Where there are strong indications of insufficient market capacity, the capital programme will be reshaped and reprioritised to ensure we deliver as many new homes and provide as many existing tenants with safe, compliant and energy efficient properties as possible within those bounds.

13.20 The 2024/25 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).

13.21 Capital receipts are from the sale of council homes under the Right to Buy (RTB) scheme to sitting tenants at a discount. Sales for 2024/245 are forecast to be 100, with an average sale price after discount of £128,000. The receipts will be reinvested to build new council homes, enabling a greater percentage to be retained.

Analysis of capital programme

Figure 3: Analysis of capital programme by investment principle



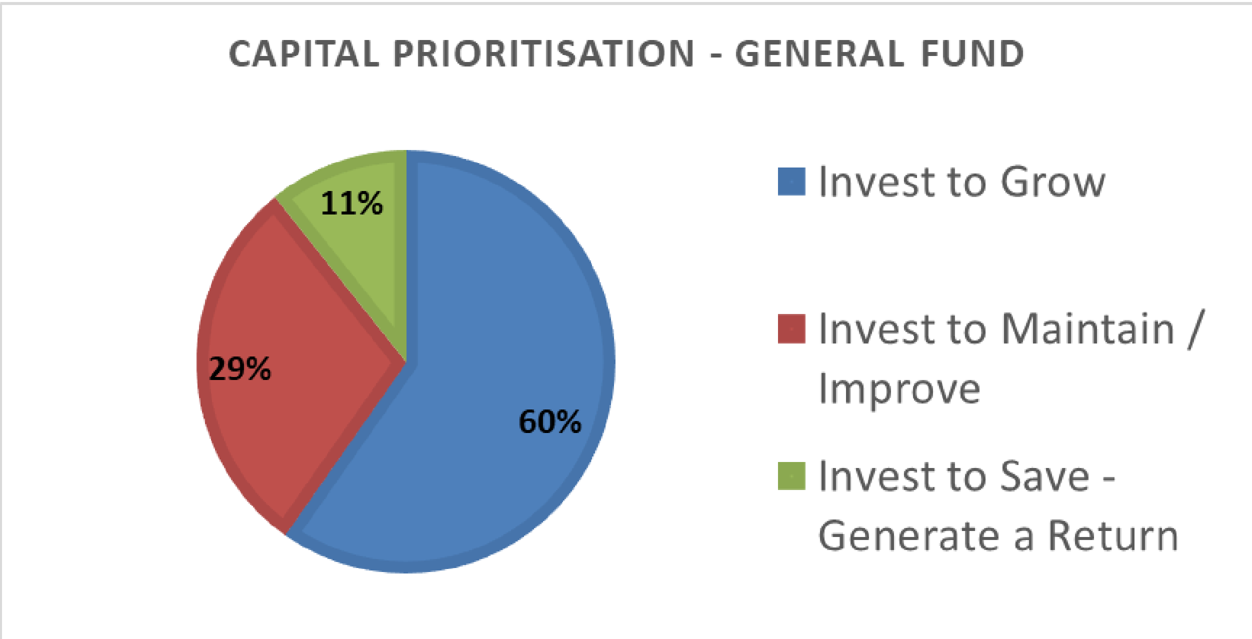
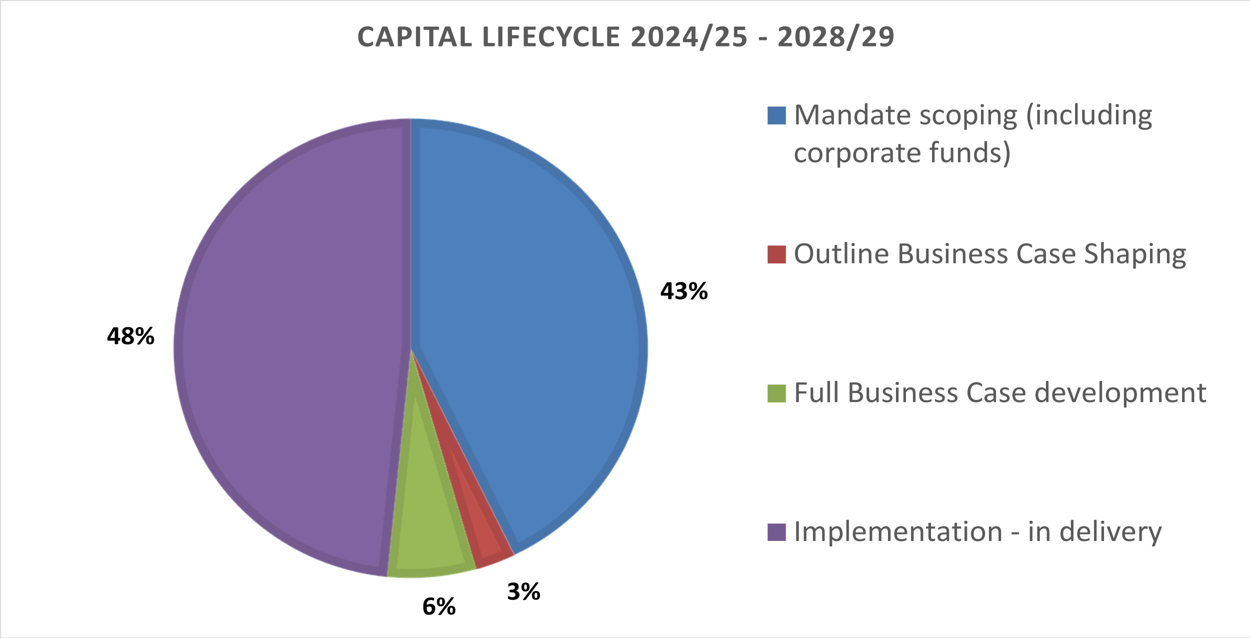


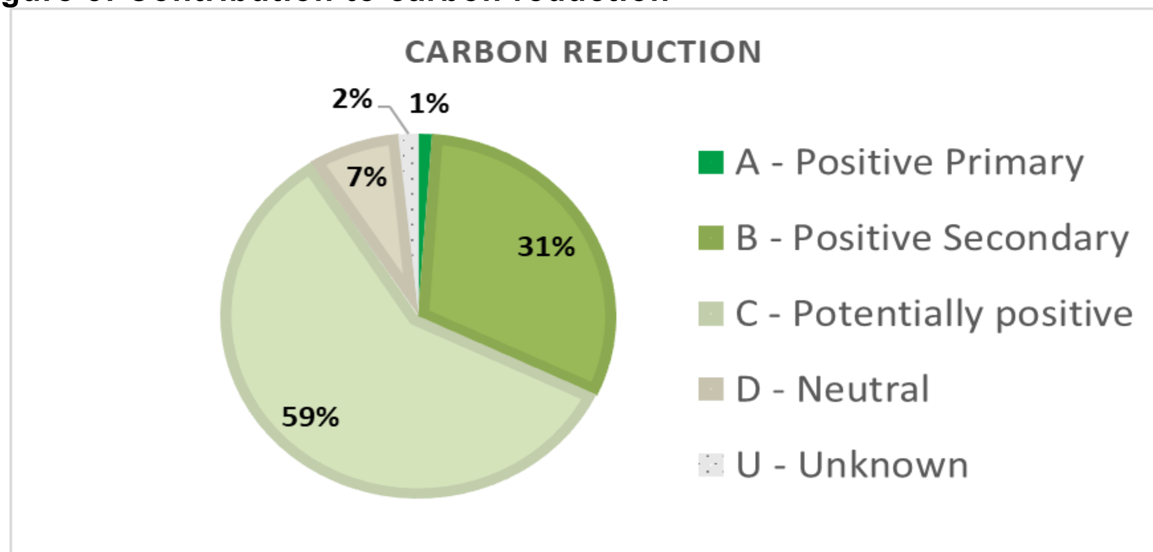
Figure 4: Analysis of capital programme by project lifecycle stage



13.22 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).

13.23 The analysis shows that 91% of the capital programme, by cost of scheme, is making a positive contribution towards carbon reduction. The 91% is broken down as schemes where the primary objective has a positive carbon impact (1%), schemes where the key objective is service delivery but has a positive carbon impact as a secondary objective (31%) and schemes where the primary objectives is service delivery but also have a potentially positive carbon impact (59%). 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 5: 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 Ethical & Equitable Investment Policy.

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 set out in the MTFP approved by Council October 2023 with a high level summary only outlined below.

General Reserve

15.3 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.

15.4 Our General Reserve Policy is that an unallocated general reserve will be set at the commencement of each year of at least 5% to 6% of the net revenue budget, subject to the further analysis of the sensitivity and risks associated to the financial plans, and turnover days measure will be included, to provide a wider context of impact in a crisis.

15.5 The balance of the General Fund Reserve at 31 March 2024 is anticipated to be £28.52 million increasing to £32.0million for 2024/25 (6% (22,2 days) of net revenue budget).

Table 30: General Fund assumptions as % of net budget and turnover days

2023/24 £m		2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
(28.525)	General Fund Reserve @ 1 April	(32.000)	(33.000)	(33.750)	(34.500)	(35.250)
483.523	Indicative Net Budget Requirement	525.493	541.422	554.217	572.448	585.691
5.90%	**General Fund % of net budget**	**6.09%**	**6.10%**	**6.09%**	**6.03%**	**6.02%**
21.5	**Turnover Days**	**22.2**	**22.2**	**22.2**	**22.0**	**22.0**
	Indicative increase in reserve to maintain circa 6%	**(3.475)**	**(1.000)**	**(0.750)**	**(0.750)**	**(0.750)**

Earmarked Reserves

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

15.7 The opening balance in earmarked reserves on 1 April 2023 was £126.611 million. Contribution in 2023/24 is expected to be £3.081 million, this is predominantly driven by business rates grants, agreed company loans, service and project resources.

15.8 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.

15.9 The council's controllable reserves will be held corporately, and the use 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.

15.10 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 with balances that have not moved over a twelve-month period.

Table 31: Summary of budgeted movement in reserves

Reserve Type	Opening Balance 01.04.2023 £m	Net Movement £m	Forecast Closing Balance at 31.03.2024 £m	Forecast Movement £m	Forecast Closing Balance at 31.03.2025 £m
Statutory / Ring-Fenced	(55.549)	(14.760)	(70.309)	5.435	(64.874)
Capital Investment	(38.582)	3.279	(35.303)	13.099	(22.204)
Financing	(1.808)	0.581	(1.227)	(10.349)	(11.576)
Risk and Legal	(14.172)	0.780	(13.392)	(3.511)	(16.903)
Service	(10.689)	3.263	(7.426)	5.527	(1.898)
Business Transformation	(5.811)	3.775	(2.036)	2.036	0.000
Earmarked Reserve Total	(126.611)	(3.081)	(129.692)	12.238	(117.455)
General Reserves	(29.525)	1.000	(28.525)	(3.475)	(32.000)
Total General Fund	(156.136)	(2.081)	(158.217)	8.762	(149.455)

Table 32: Reserve types

Reserve Type	Opening balances as at 1st April 2023	Description
Capital Investment	(38.582)	The capital reserve is maintained to provide funding for the Council’s capital and commercial investments.
Risk and Legal	(14.172)	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	(55.312)	Amounts required by statute or accounting code of practice to be set aside and ring-fenced for specific purposes, e.g. Public Health Reserve, City Deal Business Rate Pooling.
Business Transformation	(5.811)	Amounts required for expenditure on business activities, projects and capacity that is critical to delivering the Councils’ improvement agenda.
Financing	(1.808)	Includes PFI sinking fund, grant income carried forward in accordance with accounting regulations.
Service	(10.926)	Amounts set aside to finance specific projects or to meet known expenditure plans, for example election reserve for local elections.
Total Earmarked Reserves	(126.611)	

New and Changing Reserves

15.11 In accordance with the policy on reserves, all forecasted balances to 31 March 2024 have been reviewed for their continuing need, alignment with council priorities and a risk assessment considering internal and external factors has been undertaken. 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.

15.12 The following reserves have been reviewed and will be permanently released or realigned in line with the annual profile below. For completeness this includes the top-up to the General Reserve, the new reserves and the smoothing of reserves contributions to and from the general fund budget outlined at Table 1.

Table 33: Earmarked reserves - new or redirected

Reserve	Redirect / (New) in 24/25	Redirect / (New) in 25/26	Redirect / (New) in 26/27	Redirect / (New) in 27/28	Redirect / (New) in 28/29	Total Redirect / (New)
	£'m	£'m	£'m	£'m	£'m	£'m
Capital Investment Reserve	6,000	-	-	-	-	**6,000**
Goram Homes Investment & Returns	2,000	2,000	2,450	-	-	**6,450**
City Funds Investment & Returns	2,149	625	950	1,325	1,300	**6,349**
City Leap Procurement	200	-	-	-	-	**200**
BE Indemnity	-	1,635	-	-	-	**1,635**

Resilience Reserve	(596)	(6,461)	6,666	4,201	(2,986)	**824**
High Needs / SEND Transformation	(10,349)	(8,025)	(3,400)	-	-	**(21,774)**
Waste Contract Payment Mechanism	(1,034)	-	-	-	-	**(1,034)**
Insurance Fund B/S (Actuary)	(1,120)	-	-	-	-	**(1,120)**
Legal Reserve	(500)	-	-	-	-	**(500)**
GF Education Conversions	(260)	-	-	-	-	**(260)**
Total	**(3,511)**	**(10,226)**	**6,666**	**5,526**	**(1,686)**	**(3,231)**
General Reserve	(3,475)	(1,000)	(750)	(750)	(750)	**(6,725)**
Total (Budget Contribution)/Budget Requirement	**(6,986)**	**(11,226)**	**5,916**	**4,776**	**(2,436)**	**(25,637)**

15.13 Summary of each reserve movement:

- Capital Investment Reserve – this reserve covers non-treasury investments, e.g. loan provision cover, warranties and indemnities etc. A detailed assessment of the remaining loans and items now covered by the capital programme has enabled this redirection.

- Goram Homes Investment & Returns - This is the notional reductions to the Goram Homes pipeline reserves to reflect the intent and anticipated profile of anticipated release of profits to the shareholder, as outlined in more detail in Appendix 9.

- City Funds Investment & Returns – This redirect represents the recognition of repayments due on loans issued by the council.

- City Leap - This is the release of funds following completion of the city leap programme.

- BE Indemnity – Transfer residual to resilience reserve following expiration of indemnity.

- Resilience Reserve - In line with its intended use, over the five year period the resilience reserve will smooth forecast budget funding changes, support Transformation projects including SEND.

- High Needs / SEND Transformation - 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.

- Waste Contract Payment Mechanism - Uplift of reserve to facilitate the contractual payment mechanism for Waste.

- Insurance - the Council's Insurance Actuarial Review recommended that an upward adjustment be made to reflect the trend in increasing volume and value of self-insured claims.

- Legal - to replenish the legal reserve to cover exceptional cases outside of the revenue budget parameters.

- GF Education Conversions – to replenish the reserve, which ensures funds for conversion of schools.

Table 34: Estimated Annual Closing Balance on Reserves
Estimated Annual Closing Balance on Reserves

	Estimate 31-Mar 2023/24 £m	Estimate 31-Mar 2024/25 £m	Estimate 31-Mar 2025/26 £m	Estimate 31-Mar 2026/27 £m	Estimate 31-Mar 2027/28 £m	Estimate 31-Mar 2028/29 £m
Earmarked Reserves	(129.692)	(117.455)	(125.809)	(117.426)	(112.301)	(115.288)
General Reserves	(28.525)	(32.000)	(33.000)	(33.750)	(34.500)	(35.250)
Total General Fund	**(158.217)**	**(149.455)**	**(158.809)**	**(151.176)**	**(146.801)**	**(150.538)**
Trading with Schools	(0.302)	(0.277)	(0.252)	(0.227)	(0.202)	(0.202)
Capital Reserves	(2.585)	(2.585)	(2.585)	(2.585)	(2.585)	(2.585)
DSG Reserve	56.076	76.179	96.023	108.444	114.213	111.184
Schools Balances	(0.070)	(0.070)	(0.070)	(0.070)	(0.070)	(0.070)
Total Schools Reserves	**53.119**	**73.247**	**93.116**	**105.562**	**111.356**	**108.327**
HRA Major Repairs Reserve	(10.000)	(10.000)	(10.000)	(10.000)	(10.000)	(10.000)
HRA General Reserve	(45.790)	(26.840)	(27.377)	(27.924)	(28.483)	(29.053)
Total HRA Reserves	**(55.790)**	**(36.840)**	**(37.377)**	**(37.924)**	**(38.483)**	**(39.053)**
Total All Funds	**(160.888)**	**(113.048)**	**(103.070)**	**(83.538)**	**(73.928)**	**(81.264)**

16 Financial Health Indicators

16.1 In developing the budget strategy for 2024/25 and the medium term, the council has been reflective of the outcomes of the CIPFA Financial Resilience Index as set out in the figure below and other financial benchmarking (noting the data used for this is for 2021-22).

Figure 6 : CIPFA Financial Resilience Index Results Breakdown for Bristol

Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	5.78	100.00	100.00
Level of Reserves	5.16%	38.56%	124.87%
Change In Reserves	-34.16%	50.84%	246.17%
Interest Payable/ Net Revenue Expenditure	0.28%	5.14%	20.67%
Gross External Debt	£2,000k	£575,888k	£1,651,158k
Social care ratio	28.70%	69.11%	93.25%
Fees & Charges to Service Expenditure Ratio	3.11%	19.43%	28.68%
Council Tax Requirement / Net Revenue Expenditure	38.80%	59.94%	89.69%
Growth Above Baseline	-4.19%	2.21%	61.75%

16.2 It is essential to ensure the council manages its financial resilience to meet unforeseen demands and in doing so have considered the two pertinent areas identified as high risks to the financial resilience of the council compared to other similar authorities. These are the level of reserves and gross external debit.

16.3 Level of Reserves
The benchmarking analysis above shows that the council currently has reducing useable reserves. After an improvement across the period of the pandemic the council's levels of reserves have moved into a higher risk boundary. The analysis when compared to both nearest neighbours and unitary authorities provides a consistent picture. This indicator is of high importance in terms of the council's ability to respond to extreme shocks

Figure 7a: Bristol City Council Level of Reserves (statistical near neighbours)

Figure 7: Bristol City Council Level of Reserves ((unitary authorities comparisons)

16.4 Gross External Debt

This indicates the Gross External Debt held by the council and is used to finance the council's borrowing liability known as its Capital Financing Requirement (CFR). It is a requirement of the CIPFA Prudential Code to set a CFR and link into the prudential indicators agreed by Council as part of its annual Treasury Management Strategy set out in Appendix 4.

Figure 8: Bristol City Council Gross External Debt Ratio (statistical neighbours)

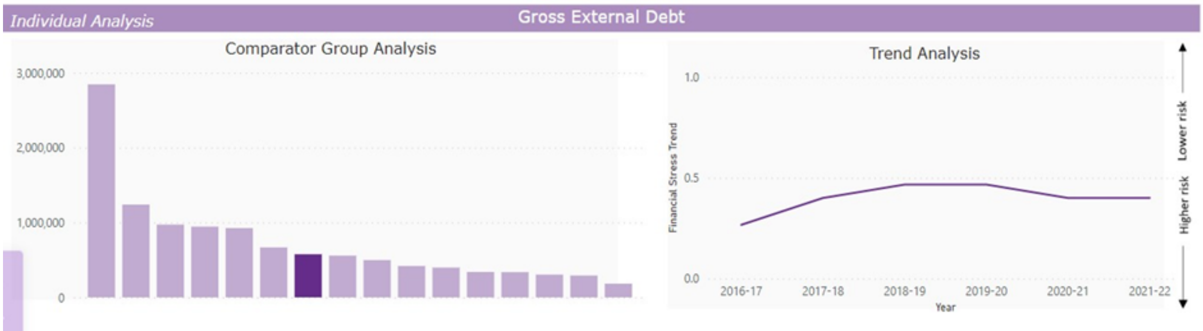
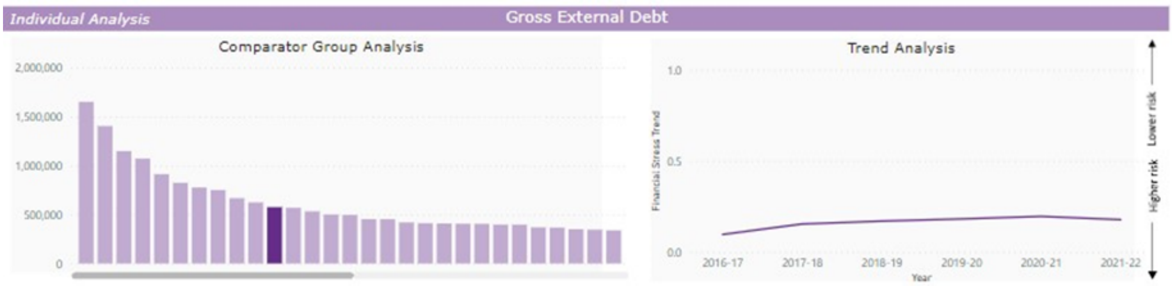


Figure 9: Bristol City Council Gross External Debt Ratio (unitary authorities)



16.5 Given the current position the intention the council should seek to retain a mid-point of all upper tier authorities as a percentage of net revenue expenditure and seek to leverage external funding and grants to provide the headroom and parameters for the additional capital amounts required to deliver the wider Corporate Strategy ambitions.

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 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. It is necessary to give reassurance that the authority's financial management processes and procedures are able to manage those risks and while the 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.

17.3 In setting the budget the council has a duty to ensure:

- It can continue to meet its statutory duties
- Governance processes in place support effective decision making
- The budget and medium-term plan reflect the significant challenges being faced and remain responsive to the uncertainties in the economy
- Savings plans and the impact on service provision is clear and agreed savings are delivered
- The profile of existing and forecast liabilities are understood and sufficient provision is made for repayment
- The levels of reserves are appropriate and are closely monitored, including their liquidity to underpin its financial resilience
- It prepares its annual statement of accounts in an accurate and timely manner to provide a sound platform upon which to build

17.4 Section 28 of the Local Government Act 2003 also imposes a statutory duty on the council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending across the council in the rest of the year, or to increase income, or to finance the shortfall from reserves.

17.5 The importance of this overall approach, need for prudence, and realistic levels of reserves and provisions, has been brought sharply into focus by the impact of the pandemic, more recently the cost of living crisis and the alarming fact that failure in local government, with disastrous consequences for residents, is no longer the rare occurrence that it once was.

17.6 The key assumptions underpinning this annual budget and medium term plan are outlined in the main body of the report and this statement considers key medium-term risk areas faced by the council and adequacy of reserves and provisions.

Assurance Statement

Key medium-term risks & issues faced by the council

17.7 The council is continuing to face a challenging set of sustained economic and financial issues related to local market conditions and the cost of living, that continues to put ever increasing pressure on the council's financial sustainability and resilience, which inevitably underpins key aspects of the council's future strategy.

Core Funding

17.8 The council's financial plans are heavily dependent on future government decisions which dictate local generated income streams such as business rates, council's tax levels and government grants. Whilst the calculations are based on robust methodology being applied by sector experts, it continues to be the case that it is difficult to anticipate the key decisions that the government will make on these matters.

17.9 As a result, a number of key elements of the council's medium term financial plans are subject to some uncertainty with a degree of risk that the position presented in this report could be subject to change once the details of these government decisions and local government funding reforms are published. The council has carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used and has presented a realistic estimate for future years.

Flexible use of capital receipts

17.10 The Secretary of State announced on 18 December 2023 consultation on further flexibilities for capital receipts, including the ability to capitalise general cost pressures, allow councils to borrow for revenue costs, and sell investment assets used for rent or capital appreciation only. This is a radical contrast to the policy that local government should not borrow (take out loans) to pay revenue spending and ensure sustainability of core spending. The proposals are a mechanism to meet the higher public spending, which future extrapolations of need in demand led services indicate will be required. The council has used the current flexibilities in an appropriate manner to date in relation to delivering transformation programmes with a clear benefit realisation, and careful consideration will need to be given to risk exposure and the potential to encourage additional debt that may in the long term be unsustainable and could result in failures in meeting the best value duty.

Transformation and Savings Delivery

17.11 The General Fund Revenue budget relies on £39.3 million of savings and efficiencies, predominantly aligned to the 4 large transformation initiatives and external income. The HRA budget has similarly outlined a 3% efficiency target and supporting the DSG deficit to sustainability relies on the further development and delivery of the mitigation proposals currently estimated to deliver up to £58.6 million by 2028/29.

17.12 Many of the proposals are at varying degrees of development / complexity and have been developed with the support of commissioned delivery partners and industry experts. Optimism bias has been individually assessed and some proposals are considered low risk or already certain. At the other extreme some proposals are considered challenging, but in my opinion achievable but with a larger optimism bias provision provided. This will be subject to continuous review and in year monitoring as proposals are further developed and/or implemented. The outcome and overall assessment of this is reflected in the additional contingency provided across each fund for costs of delivery/optimism bias, along with the risks that propositions may be subject to change and/or removed following consultation.

17.13 The percent of savings delivered has demonstrated an improving trend over recent years and the importance of delivery is understood and considered at various programme boards. However, the principle of accountability needs to be further embedded, and the ability to drive pace, critically challenge and identify alternatives to recalibrate programmes that are off track will need to be strengthened. Strong leadership, culture change to one of ownership and delivery that starts with the executive team, directors and heads of service and cascades at all levels within the services, with sound monitoring of performance and demand forecasting, will be essential. I am satisfied that this is under review, however, should senior responsible officers not meet these targets to a value exceeding the contingency earmarked, it will be necessary for the council to draw on its reserves to balance the budget, as it closes each financial year.

Service Pressures

Adult Social Care

17.14 Between 2021/22 and proposed 2024/25, the amount budgeted for adult social care would have increased by £48.0 million, 32% (8% in real terms). With the additional ring-fenced government grant funding and investment from the social care precept to support demand and sustain the market, the service has had the investment required to transform its services. The transformation programme is focused on strength-based practice, reflecting the changing marketplace, supporting people to live independently and achieving better value outcomes. This is a long term programme and will require the ongoing support of an effective delivery partner, other internal partners including housing and children's, the right commissioning frameworks and the culture of delivery embedded, the reforms planned to make the system truly sustainable for the future can be delivered.

Children's Social Care

17.15 Between 2021/22 and proposed 2024/25, the amount budgeted for children's social care would have increased by £38.2 million, 59.2% (32% in real terms). This sustained increase in children's social care spend continues to squeeze the budget available for other children's services and other areas of council spending. Difficulties with supply have been compounded by changes in placement mix and increase in unaccompanied children seeking asylum. Higher than usual numbers of foster parents are withdrawing, which has led to a shortfall in foster carers, resulting in greater use of residential, out of authority and other placement types.

17.16 Higher costs have been driven by both supply constraints and demand pressures. On the supply side, children's homes and other forms of residential care have fewer places available and there are material increases in market prices. The ongoing impact of these pressures has been included as growth within the proposed budgets. The transformation programme is seeking to address these challenges with increased investment (revenue and capital) into placement provision, local early help and intervention with acute challenges. The delivery of the invest to save programmes and associated benefits will be key in turning the market curve and stabilising or changing these trends.

Education

17.17 Between 2021/22 and proposed 2024/25, the amount budgeted for general fund education would have increased by £15.6 million, 130% (89% in real terms). The council has faced unprecedented demand for home to school transport, coupled with increase service costs partly due to the lack of local education provision resulting in many more children traveling out of the authority area to access specialised education provision. These pressures are forecasted to exceed the benefits to be derived from the transformation proposals.

17.18 The ongoing impact of these pressures has been included within the proposed budgets, however if the trends are fully aligned with the future unmitigated trend of education, health and care plans and continue to require out of authority school transport, this would have a greater financial pressure than those outlined. The growth reflects existing trends only, with the assumption that the worst case scenario in this regard for 2027/28 and beyond is closely aligned to the DSG High Needs proposals and will be monitored accordingly.

Housing

17.19 Between 2021/22 and proposed 2024/25, the amount budgeted for housing and landlord services, would have increased by £5.6 million, 38% (13% in real terms). The pressures in the system are driven by multiple and interconnected sources. The cost of living crisis, increased pressure and competition with the Home Office for low cost accommodation and/or transfer of responsibilities for accommodation, private landlords leaving the market, increasing rent and local housing allowance frozen over several years results in subsidy losses and insufficient affordable housing to meet need.

17.20 No further growth has been assumed in the medium term and the assumption is that the following measures, if effectively deployed, will assist in mitigating the challenges. The local housing allowance increase to the 30th percentile of market rents from April 2024, the announcement of a third round of the LA Housing Fund to support those in temporary housing need or to find a permanent home, and the existing transformation programme will need to focus on earlier intervention and preventative strategies to reduce demand and bring about a step change in the number of households, length of time spent and the number of children in temporary accommodation.

Dedicated Schools Grants (DSG) - Deficit

17.21 The DSG deficit is the most significant risks in the 2024/25 budget and medium term plan. The DSG deficit began to accumulate in 2019/20 with a carried forward balance at the time of £2.9 million, and at the end of 2021/22 the deficit on the DSG adjustment reserve had increased to £24.5 million. The forecast position for the end of 2024/25 is £76.2 million. This reflects an increase of £51.6 million, between 2021/22 and 2024/25, 211% (156% in real terms). This is in the context of average annual funding increases of circa 11% for the high needs block.

17.22 The challenges in the SEND system within Bristol are significant, with substantial shortfall in local education provision. Demand for local SEND provision continues to increase at a faster rate than the change being implemented, and as such fundamental transformation is needed to deliver the scale of change required.

17.23 The route to improvement is continuous, with a need to look forward, self-challenge and learn from others. A whole council approach will be essential, encouraging shared responsibility across directorates and professionals. A ‘high support’ and ‘high challenge’ environment will assist in the retention of the core team. This will provide continuity in terms of contact with families, effective partnership working at both a strategic and operational level, creating shared goals and aspirations, which would assist partners in also buying into the improvement and mitigating strategies.

17.24 We have recognised that closing the annual gap over the period of the statutory override (that expires March 2026) will not be possible unless significant alternative funding is received, and as such we have built greater SEND delivery and transformation capacity into our medium term plan and greater resilience in general reserves and will need to ensure there are adequate usable reserves to cover any residual DSG deficit.

Early Years

17.25 The challenges facing the early years sector include the fact that DfE funding rates are lower than the cost of delivering funded places, increases in staffing costs, difficulties in recruiting and retaining staff and an 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.

17.26 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 forecast to be insufficient to ensure sustainability. The funding rates announced for 2024-25 will be vital to the success or failure of the expanded entitlements. However, whilst material rate increases are evident for 0-2 and 2 year olds the funding rates for 3 and 4-year-olds, who take up the bulk of provision and therefore determine the viability of the entire sector, are only increasing in line with inflation.

17.27 The nursery transformation programme will continue to seek to address a long-term wide ranging set of issues and ensure sustainability of the sector. Schools Forum has agreed funding to support the underwriting of deficits supported by endorsed recovery plans and with the additional funding from the DfE, licensed deficits are being progressed as appropriate. Progress updates will be incorporated with the finance reports to the Schools Forum and should also be incorporated in the council monitoring reports going forward. Further details per setting are outlined in Section 9 of the budget report.

Housing Revenue Account

17.28 The council has adopted an ambitious 30 year business plan and medium and long-term modelling (up to 30 years) which delivers the key priorities for the HRA, including a strategy to build social housing properties through the capital programme, as well as buy and bring back into use empty properties and to prioritise improving the energy efficiency of its least efficient homes. These investments are funded through the ring-fenced Housing Revenue Account (HRA), funded primarily by rental income received from tenants, with government support limited. The plan ensures decisions are made in the context of long-term impact on the business plan and the affordability thresholds. However, the challenges and emerging pressures have minimised the headroom available. The key risks are the implications of new legislation / regulation or housing policy change which will negatively impact decisions taken at a local level.

HRA Financial Pressures

- The interaction between inflationary pressures and rent setting policy – the government imposition of a 7% ceiling on rent increases at a time when CPI reached 10-11% for much of the year has meant that costs have risen heavily above income and the cap reduced recurrent investible income available to support the 30 year plan.

- New legislation / regulation or housing policy - the new proactive regulatory regime from the Regulator of Social Housing, improvements to the Decent Homes Standard (DHS), building and fire safety, will increase the investment needed into existing stock.

- A new policy for rents is due to be consulted on shortly - it is vital that the approach adopted in looking forward provides the additional resources eg by facilitating a mechanism for catch up funding to enable the new burdens to be appropriately funded.

- Risk of viability challenges - For new build developments with ongoing high construction inflation and new regulatory changes as outlined above, viability challenges are likely. These developments can be compared to the wider impact of housing sufficiency or key areas of need in the council services, which could deliver costs reductions with access to social housing. For example, social care, temporary accommodation, and benefits subsidy losses.

Capital

17.29 The council has set out ambitious capital plans and material increase in the programmes for 2024/25 and 2025/26, primarily in delivering urgent housing maintenance and improvements. The programme remains within the affordability thresholds established for all funds and plans to increase capacity is in hand. However early assessment will need to be undertaken regarding the following risks and issues that could delay the delivery of the programme and early recalibration of the programme will be required if evidenced:

- Internal and external delivery capacity - delays in recruitment of delivery partner, internal projects and procurement leads and labour shortages
- Failure to deliver capital receipts targets due to lack of pipeline to market
- Impact of global markets on inflation / interest rate exposure, materials and supply chain issues

17.30 An earmarked fund has been identified to support the implementation of the Invest to Save strategic improvement projects, which aim to deliver effective and improved citizen-centred public services, whilst delivering wider efficiency savings. These arrangements should be updated on an on-going basis to ensure that there is clarity on who, ultimately, is accountable for performance, the delivery of the fund activity over the agreed period, and the payback period that follows of not only the benefits realised but the associated borrowing costs. Processes will need to be in place to ensure that practice reflects fully these process disciplines, following approval of final business cases, to enable the initial investment to be recycled.

Pay Awards

17.31 The council is a Real Living Wage (RLW) employer and the Autumn Statement 2023 announced 10% - 12% increase in the National Living Wage (NLW) for 2024/25. This is likely to result in a further increase in the RLW. The National Employers and National Joint Council (NJC) unions (GMB, UNISON and Unite), will undoubtedly take this into account in the 2024/25 pay negotiations and seek to ensure a differential in the percentage difference in pay, between the lowest grade, the NLW and mid-point of the next pay band. Pay sensitivity is outlined in the Table 31 and should be viewed in the context of the prudent 5% which has already been reflected within the 2024/25 planning assumptions.

Non Treasury Investments

17.32 In considering the council's investments, and given current market conditions and volatility, it is good practice to regularly review and / or consider the following risks:

- 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

17.33 These have been reviewed for Bristol's investments with returns and/or loan repayments scheduled in the council's budget. This will be reported in the periodic investment reports and regular reviews should continue to be undertaken.

General Risk Approach

17.34 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.

17.35 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 and pressures, which are closely monitored.

17.36 Appendix 3 – Budget Risk Matrix contains a summary of selected key strategic risks, extracted from the Quarter 3 CRR which provides further details in relation to the causes, impacts, and mitigating actions. This matrix provides an indicative assessment of how the risks identified in the CRR could be managed should they be realised during this medium term.

17.37 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.

17.38 Where unavoidable pressures are identified during the course of the year 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. Where budget savings are not achieved in a timely manner further savings will need to be identified for implementation. Where this is not practical or deliverable and reserves are called on to achieve a balanced position, the savings will be rolled forward in order to ensure the council's future financial stability is maintained.

General

17.39 There are exceptional risks which, should 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, fire safety and insurance risk
- The potential exposure to cyber security
- The financial implications from the Care Act, adult social care and other welfare reform changes
- Risk of exposure to any major legal claims against the council
- Future government changes in policy and funding for local government, particularly the unknown impact of the next Spending Round (2024) and the risk of further significant reductions in income, government approved funding in relation to business rates base and business rates appeals
- School conversions to academies with deficit balances that revert to the council

17.40 The uncertainty regarding future funding for local authorities and inflationary risks makes a robust and evidenced assessment of financial governance and future resilience critical. In considering the robustness of any estimates, the criteria in the table below have been assessed.

Table 35 : Assessment of robustness of 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	The economic and financial climate has resulted in the increase in demand and need for many council services, particularly social care, home to school transport, homelessness, SEND and housing maintenance and support and higher than budget assumptions across the council. The uncertainty and volatility re external market conditions and pricing 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. This has been partially addressed within performance frameworks but needs to be strengthened with greater accountability at the right level.
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 the section below.
The alignment of resources with the council's service and organisational priorities	Y	The corporate strategy has been refreshed and service planning exercise completed for 2024/25 aligned plans and available resources to the agreed corporate strategy priorities. Service plans are endorsed by directors, executive directors and relevant cabinet member(s)
A review of the major risks associated with the budget	Y	The council and its subsidiary companies' corporate and other risks 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 marginally above the minimum policy level of 5-6% net revenue budget and 22 turnover days, over the 5 year period. Funds have been directed to and from the resilience reserve across the 5 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; and sufficient reserves retained for ringfenced funds. However, should this be insufficient, as a short-term emergency measure

		longer term earmarked reserves 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. To provide greater clarity and aid earlier planning, fees & charges will be set based on PY Sept CPI for 2024/25 and future years. 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 evidenced and/or mitigating opportunities explored, unavoidable pressures and service improvement investments are outlined within the appendix to this report.
Has a reasonable estimate of future income been made?	Y	Yes, for income streams material to the council's financial position. It is noted however that these are subject to future government funding decisions and as such present a degree of volatility and risk. A small change could have a material impact eg business rates and council tax. Trends have been obtained, analysed and extrapolated based on a range of scenarios, realistic scenario determined, and sensitivity tested.
Are arrangements for monitoring and reporting performance against the budget and savings plans robust?	Y / N	Closure reports are provided for Delivery Executive, transformation programmes and key projects which include lessons learnt and embedded assurance is also provided by 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 forms part of the outturn report. Delivery capacity has been enhanced with commissioned delivery partners and greater alignment with finance to support transformation project delivery monitoring and reporting. Arrangements for demand forecasting need to be improved 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 funds established for proposition at early development stage prior to full entry to the capital programme. This still requires further embedding to reduce slippage and optimism bias within the programme and to see tangible changes in the delivery of capital projects.

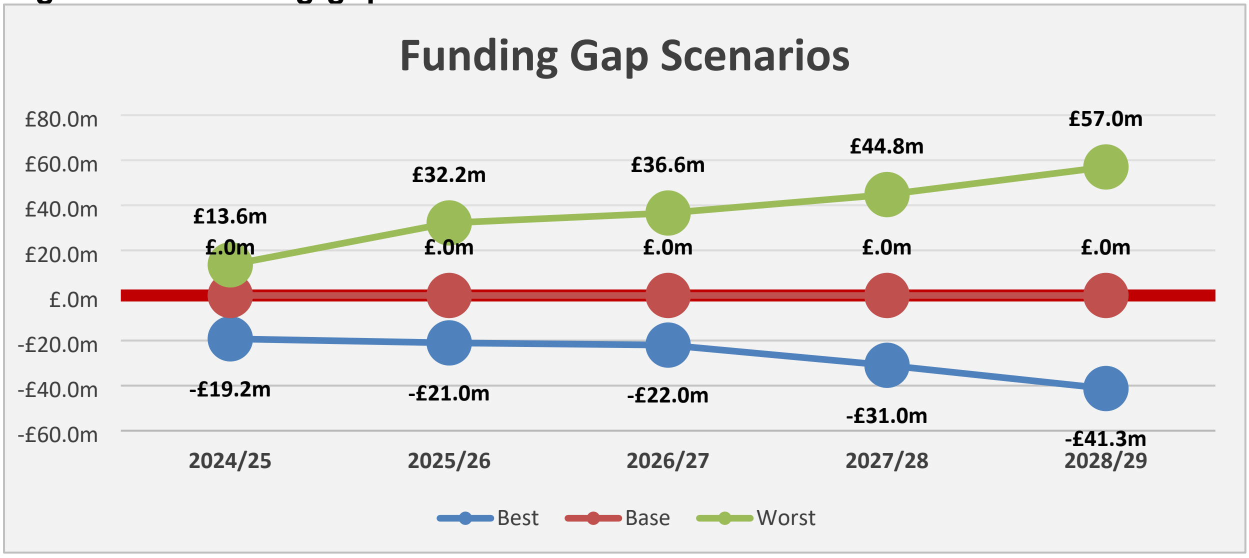
Is there a reasonable contingency available to cover the financial risks faced by the council?	Y	Reserves available for risk mitigations are outlined in Sections 15 & 17 and Appendix 3. In addition, a rolling capital contingency is established to reflect the major project risks and small revenue contingency 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 2023/24 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 released where no longer required or increased as necessary. Requests for new reserves are 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 strengthening 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 for improvement, eg investment methodology / 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.

17.41 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 summarised in the sections above.

Funding gap analysis

17.42 In relation to the General Fund, a balanced position has been proposed for each of the 5 years in the medium term plan. Sensitivity analysis has been carried out in relation to all the major assumptions used within the budget to ascertain the levels of potential financial risk in the assumptions being used. The scenarios indicate that under the worst case scenario the funding gap rises from £13.6 million in 2024/25 to £57.0 million by 2028/29. The key variation in this model is driven by council tax, business rates and inflation assumptions. The key financial planning risks that may affect the projections over the medium term and delivery of a balanced budget are summarised above and in the relevant sections of the main budget report.

Figure 10: Funding gap scenarios



17.43 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 36: Sensitivity analysis of key budget assumptions

Description	£m
Income	
Change in Council Tax Collection Rates by 1%	2.7
Change in Business Rates Collection by 1%	2.5
Change in Council Tax Growth by 1%	3.6
Changes in Government Funding Settlement by 1%	0.7
Expenditure	
Change in Pay Award by 1%	2.1
Change in General Contract Inflation by 1% (inclusive of fees and charges)	2.7

Assessment of the adequacy of the council's reserves

17.44 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 risks assessments undertaken, I believe that the council still retains an adequate level of reserves as outlined in section 15.

17.45 General reserves are forecasted to be £28.5m million and earmarked reserves is forecasted to total £129.7 million by 31 March 2024 (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. The budget proposes to uplift the general reserve to £32.0 million, which in a worst case scenario, combined with the earmarked reserves (£161.7m) would represent 31% of the 2024/25 net revenue budget.

17.46 Within the General Fund earmarked reserves, Public Health retains a reserve of £4.6 million, which represents approximately 12.8% of the annual grant and could provide transitional support should the grant be unexpectedly reduced, unfunded new burdens materialise or pay awards exceed expectation.

17.47 The HRA minimum general reserve is approved at £21.0 million (which reflects 3 months cashflow) and a further £5.0 million to reflect the current economic climate and risk exposure. The operating reserve is necessary to manage unexpected deficits, or for smoothing in-year budget pressures due to timing differences between the cost of building new homes and receiving rental income. The forecast reserve as at 31 March 2024 is £45.8 million (this excludes £10.0 million HRA major repairs reserve) with an interest cover ratio of 1:25. Whilst the funds underpin the 30 year business plan, they 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 thresholds set.

17.48 Schools, like many businesses / organisations are experiencing the squeeze in relation to post pandemic, cost of living, inflation, energy, pay awards, recruitment and retention issues. The forecast reserve for 31 March 2024 reflects a worrying picture with a high volume of schools forecasting an in year deficit for 2023/24. The net forecast reserves balance for local authority maintained schools as at quarter 2 is envisaged to be a net deficit of circa £2.4 million at the end of 2023/24; indicating the need for close monitoring and an increased number of licensed deficits to ensure this is appropriately managed.

17.49 This is mitigated at the bottom line by £2.1 million attributed to; additional funding earmarked by the Council and Schools Forum to support schools whilst they recover their financial situations and additional funding allocated by the DfE to support schools in financial difficulty. After the reversal of legacy revenue contributions to capital for schools in deficit and removal of the deficit attributed to a school that has closed in year where the deficit will transfer to the general fund earmarked reserve, this leaves a small forecast positive but fragile variance of £0.1m on the reserve. Schools block and early years funding in the DSG has increased by a welcome 8.9%, this may not be sufficient to mitigate the deficit in all schools and settings but should return the net position to a more favourable surplus.

17.50 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 overall the budget position of the council can be sustained within the overall level of resources available.

Conclusion

17.51 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 risks to which I believe the council is exposed.

17.52 A culture of collective leadership is required, with clear accountability for the matters for which the council can control. This will ensure that key issues are successfully addressed and external factors that can be outside the council's control, effectively managed. Given the rigorous focus and work undertaken across the council and by members over last 6 months in developing the budget, I, as the council's Chief Finance Officer (Section 151 Officer), consider the estimates for 2024/25 to be sufficiently robust. I am also able to advise the council that the level of reserves remain adequate for all funds, providing a long term solution is identified for the DSG deficit, good governance prevails, risk is managed, and agreed savings are delivered and can recommend the budget for consideration by council.

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 2023 to January 2024. The Resources Scrutiny commission plans to consider the budget proposals at meetings on 30 January 2024 and 1 February 2024.

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 2024/25 budget was open for six weeks from 9 November 2023 until 21 December 2023. The consultation set out alternative options for the level of Council Tax increase and Social Care Precept in 2024/25, before decisions on the 2024/25 budget are made by Full Council in February 2024. It also included information about 25 proposals to reduce costs and increase income to help balance the budget and described 11 'invest to save' ideas (ways to utilise capital investment to reduce costs in the long term).

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 schools funding formula for 2024/25. This consultation was open for six weeks from 3 October 2023 until 14 November 2023. It was communicated to schools through the

Service Director for Education & Skills' regular newsletter, email and through school forum members on 28 November 2023. This consultation sought school stakeholder views on the primary and secondary school funding formula for 2024/25. Details are as reported under Item 8 of the following document pack: Bristol Schools Forum: 28/11/2023

18.8 The council has consulted separately with early years settings in December 2023 on the basis of the Early Years National Funding Formula (EYNFF) and the results were considered at Schools Forum when agreeing the EYNFF rates and Early Years Block budgets for 2024/25.

Consultation principles for new proposals

18.9 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.

18.10 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 principles for new proposals (para 19.9). For these proposals an Equalities Impact Assessment (Appendix 7) will be undertaken to inform Cabinet when making that decision.