Full Council

February 2022

Report of:	Denise Murray, Director Finance (Chief Finance Officer & S151 Officer)
Title:	2022/23 Budget Report
Ward:	City Wide
Member Presenting Report:	The Mayor and the Deputy Mayor / Cabinet Member for Finance, Governance, Property and Culture

Recommendation

For Council to consider and approve the Mayor's 2022/23 Budget recommendations which include the various elements of the Revenue budget, Capital programme, Council Tax and Adult Social Care Precept for 2022/23.

To note under the delegated authority to the Director Finance, after consultation with Deputy Mayor, Cabinet Member for Finance, Governance, Property and Culture and the Mayor, the following changes have been made to the budget report since approved by Cabinet on 18 January 2022:

- All separate but associated reports have been merged into a single report, with additional information transferred expanding the following sections of the report:
  - Dedicated Schools Grant (Section 9)
  - Housing Revenue Account (Section 11)
  - West of England Combined Authority (Section 12)
  - Treasury Management Strategy - Ethical & Equitable Investment Policy Statement – Appendix 4.

- The following additional information received or required to complete the report:
  - Feedback provided by Bristol Schools Forum for Cabinet and Council to consider in making final decisions on the Dedicated Schools Grant Budget.
  - Precept notification received from the Police and Crime Commissioner for Avon and Somerset and draft precept from Avon Fire Authority, to inform the Statutory Calculations in respect of Bristol's Council Tax - Appendix 11
  - Notification from the Education Skills Funding Agency (ESFA) of additional High Needs Block funding for 2022/23 and indicative funding levels for future years. This information and the period 9 forecast are the basis for the refresh of the High Needs elements within the Dedicated Schools Grant (Section 9) and all other reference to the DSG deficit in this report.

- Appendix 1 – Detailed budget summary by directorate, expanded to incorporate Divisional summary with savings and investments.
- Section 8 has been revised to reflect the government announcement of measures to support rising energy bills and Council Tax rebate.

- Adjusted for errors, omissions or to increase transparency:
  - Capital Programme: The Community Infrastructure Levy regulations requires authorities to sets out and approve a list of those projects or types of infrastructure that it intends to fund, or may fund, through new levy allocations approved. Paragraph 13.11 added, and Appendix 2 annotated to reflect this requirement.
  - Appendix 8 – Budget savings and efficiencies
    - saving ref GR028 has been corrected to reflect the full year effect of the proposed savings in 2024/25 and net overall savings and efficiencies figures are adjusted where relevant in the report.
    - Saving ref R19 has been revised to provide greater clarity in relation to this proposal.
  - Appendix 9 - Long Term Investments – as energy assets still remain within the Council, Bristol Heat Network paragraph 5.3 has been expanded to note that, the loan arrangements in place will need to reflect the value of assets being transferred to BHN and or City Leap at the time of transfer.
  - Appendix 10 - Service and corporate pressures have been summarised from the main report to provide greater clarity on growth pressures funded within the budget.
  - Other adjustments relate to minor formatting or transposition errors in previous report.

- The following changes have occurred since the budget report was presented to Full Council on 15 February 2022:
  - Avon Fire Authority has now set its Precept therefore reference to convening of a sub committee is removed (Mayor's Budget Recommendations to Council, paragraph h in original report refers)
  - Delegations no longer required in relation to: Public Health grant; final Local Government Finance Settlement; and ESFA clarification confirming approval of schools' budget, as these have now been received (Mayor's Budget Recommendations to Council, paragraph q in original report refers).
  - Public Health Grant: The 2022/23 Public Health grant was announced, giving a total allocation of £34.588m for Bristol, this represents an increase of 2.8% from 2021/22 allocations.

- Final Local Government Finance Settlement:
  - Lower Tier Service Grant - a total allocation of £0.830 million, an increase of £16k on the provisional allocation following minor changes to the data underpinning the national funding formula. To ensure a balanced budget position the contribution from reserves into the budget is to be reduced by £16k.
  - Compensation for under-indexing the business rates multiplier. A total allocation of £10.425m, a change of £1.954m from the provisional allocation. The change is due to the government using an RPI uplift to calculate the compensation grant in the final settlement, rather than using a CPI uplift in the provisional settlement. The business rates funding assumptions included in the budget had recognised this potential change and, given the risks associated with the volitivity of the business rates taxbase following the pandemic, the business rates funding included in the budget is unchanged at £140.7m. If more money is received through the collection fund than anticipated the surplus will be incorporated into the budget over the medium term.
- ESFA schools' budget - the ESFA has confirmed acceptance of the formula submission for the schools' budget, with political compliance agreed on the basis of Schools Forum and Cabinet endorsement and subject to the approval of Full Council.

1. Mayor's Budget Recommendations to Council

The approval of Mayor's budget proposals to Council in respect of 2022/23 as set out in this report, subject to any agreed amendments:

To note:

a) The report from the Scrutiny Budget Task and Finish Group.

b) The budget consultation process that was followed and feedback as outlined in Section 18 and Appendix 6.

c) The categorisation of earmarked reserves and provisions set out in Section 15.

d) That the 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, consideration in making final decisions on the Dedicated Schools Budget for 2022/23.

f) The comments of the Chief Finance Officer (s151 Officer) on the robustness of the budget and adequacy of reserves as set out in Section 16.

To agree:

g) The Bristol City Council levels of Council Tax increase of 2.99%; which includes 1% 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 2022/23 as £431.1 million and expenditure allocations as set out in Appendix 1; subject to any budget amendments properly notified to and approved by the Council in line with the Constitution.

i) The Council's capital budget and programme for the years 2022/23 – 2031/32, totalling £1,906.1 million (including the incorporation of £32 million of Strategic Community Infrastructure Levy funding), as set out in paragraph 13 and detailed in Appendix 2; subject to any budget amendments properly notified to and approved by the Council in line with the Constitution.

j) The proposed Treasury Management Strategy for 2022/23 in Appendix 4, incorporating the Minimum Revenue Provision policy and the prudential indicators and limits.

k) To approve the Strategy for the Flexible use of Capital Receipts as set out in Appendix 5.

To agree:

l) The distribution of the 2022/23 Dedicated Schools Grant of £421.5 million as recommended by Cabinet and the Schools Forum, summarised below, and set out in Section 9.

   i. The Schools Block budget set at £304.661 million, after transferring £1.531million of the overall Schools Block to the High Needs Block to support the Education Transformation programme.

   ii. The Growth Fund for established schools expanding in September 2022 be set at £2.0 million (a component of the total Schools Block budget).

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

   iv. The High Needs Block budget be set at £79.745 million, after receiving transfers of £1.531million from Schools Block.

   v. The Early Years Block budget be set at £34.388 million and distributed in line with the arrangements agreed with the Schools Forum, noting income will fluctuate, according to participation levels**.**

To agree:

m) A rent increase of 4.1% (CPI plus 1%) with effect from 4 April 2022, applicable to Housing Revenue Account (HRA) dwelling and non-dwelling rent.

n) The HRA Revenue budget of £127.1million for 2022/23 as set out in Section 11.

o) Authorise the Executive Director of Growth and Regeneration, in consultation with the Deputy Mayor, Cabinet member for Finance, Governance, Property and Culture, to set service charges in line with the anticipated and actual cost of running each service.

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

Delegation of authority:

q) The delegation of authority to the Director of Finance after consultation with Deputy Mayor, Cabinet Member for Finance, Governance, Property and Culture 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) The delegation of authority to Director of Finance after consultation with Deputy Mayor, Cabinet Member for Finance, Governance, Property and Culture and the Mayor to adjust the budget on receipt of the Energy Bill and Council Tax Rebate funding for Bristol and develop and implement the discretionary policy to facilitate the administration of this scheme.

2. List of Appendices

This report should be read alongside a series of appendices:

a) Appendix 1 – Detailed Budget Summary by Directorate & Division with Savings & Investments.

b) Appendix 2 – Capital Programme 2022/23 – 2031/32

c) Appendix 3 – Budget Risk Matrix

d) Appendix 4 – Treasury Management Strategy

e) Appendix 5 – Flexible Use of Capital Receipts Strategy

f) Appendix 6 – Budget Consultation Report

g) Appendix 7 – Cumulative Equalities Impact Assessment

h) Appendix 8 – Budget Savings and Efficiencies

i) Appendix 9 – Long Term Investments & Shareholdings

j) Appendix 10 - Service and Corporate pressures

k) Appendix 11 – Statutory Calculations in respect of Council Tax

3. Executive Summary

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

3.2 Whilst the Council, like many others across the country, remains subject to financial challenges in its funding, it has prioritised the revenue resources available to fund key services such as social care, sought to protect the most vulnerable, and to invest in our city infrastructure during these uncertain times, to build confidence and to facilitate a sustainable future.

3.3 The Council has been dealing with the Covid-19 pandemic for almost 2 years and the emergency is not yet over. Areas of the Council are still at different stages of responding, restoring or renewing services. To that extent new risks and issues may still emerge in the future. One of the largest risks to the Council continues to be the pressure on financial resources and additional, unbudgeted, expenditure which is still being, incurred to deal with the impact of the pandemic. The Council continues to face a prolonged period of change and uncertainty arising from Covid-19 and the impact on its finances.

3.4 To 2021/22, the additional Government funding has kept pace with the additional expenditure, however this funding is not anticipated to continue into 2022/23.

3.5 In December the Council approved the rolling Medium-Term Financial Plan (MTFP) 2022/23 – 2026/27 which estimated a funding gap of £23.1 million from our core budget in 2022/23 and the need to develop a strategy for efficiencies (doing the same for less money) or by transforming the way we do things. The Council consulted on six main areas which were being considered to save money through working more efficiently and looking for ways to generate more income in balancing the budget.

3.6 The Department for Levelling Up, Housing and Communities (DLUHC) announced the provisional local government finance settlement for 2022/23 in December 2021. It has provided further one-off increase in council core spending for 2022/23 enabling councils in devolution deal areas to remain in the 100% business rates retention pilot for a further year, additional New Homes Bonus funds and included new government grants. This further funding reduced the Council's 2022/23 budget gap to £19.5 million and provides support for vital local services.

3.7 Overall, this report recommends a 2022/23 general fund net expenditure budget of £431.1 million, a net increase of £6.9 million from 2021/22 budget (£424.1 million including one-off grants) and incorporates revenue investment in priority areas of £30.0 million in 2022/23 (and £33.1 million over the MTFP) to mitigate ongoing pressures. The report outlines a balanced revenue budget for the period 2022/23 which has been achieved as a result of additional resources available to the Council (as outlined above); a range of newly proposed service efficiencies and income generating options equating to £17.9 million in 2022/23 and plans to deliver a further £16.4 million in future years (underpinned by a savings contingency of -£5.8 million as outlined in section 6), noting residual savings agreed in previous years and or carried forward are excluded from these figures.

3.8 Achieving the reported position for 2022/23 has required the tough decision to utilise the mechanism made available to councils by the government to levy an Adult Social Care Precept of 1%, 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 1.99% to support the underlying position. The two combined uplifts equate to an overall 2022/23 Council Tax increase of 2.99%, generating an additional £7.1 million resources from Council Tax for services provided by the Council.

3.9 In addition to the above the position reported relies on £4.0 million of one-off General Fund reserves; (not sustainable long term and increasing the gap in 2023/24) to balance the 2022/23 budget. This will allow the Council to continue to deliver its key priorities, as set out in the Corporate Strategy.

Ringfenced accounts

3.10 **Public Health** - Public Health teams have faced an unprecedented period of funding and demand pressures and continue to face significant pressures and challenges. In the Autumn Budget 2021 the government chose to maintain (rather than increase) the Public Health Grant in real terms over the coming year and the provisional finance settlement included no information about the national total, or individual council allocations, of the grant for 2022/23. If funding remains unchanged the indicative 2022/23 budget for Public Health would be £33.6 million. The current delay to the announcement is making it extremely difficult for councils to plan effectively at a time when public health services are vital to the fight against Covid-19.

3.11 **Dedicated Schools Grant (DSG)** - the final data and allocations from the Education and Skills Funding Agency (ESFA) after taking account of the October 2021 Census were released on 16 December 2021, with an overall DSG allocation for 2022/23 of £418.8 million.

3.12 Further to publication of the papers for the January Cabinet and Schools Forum's meeting, notification has been received from the ESFA confirming additional High Needs Block funding for 2022/23 amounting to £325 million nationally, of which Bristol's element of this additional funding will be £2.7 million. This includes funding in respect of the Health and Social Care Levy, (circa.1% pressure on authorities' high needs budgets) and also takes into account that colleges and other post-school providers offering extra hours of study to 16 to 19 year old students, may require extra high needs top-up funding to support such students with high needs. The notification also recommends future budget funding assumptions of 5% increase in 2023/24 and 3% for subsequent years thereafter.

3.13 The overall DSG allocation for 2022/23 is £421.5 million, an increase of £15.9 million on the 2021/22 final allocations of £405.6 million. Additional £8.9 million is for the Schools Block where the majority of the funding is passported to schools and will be fully spent. The confirmed funding for the High Needs Block is £78.2 million, 14.4% increase on 2021/22 (£68.3m in 2021/22). This High Needs Block continues to be under pressure. Current spending levels in 2021/22 indicate that the increased allocation will not cover spending at the same level as this year and does not provide any additional funding for growth, additional need, or historic shortfalls.

3.14 The current trends indicate that the deficit will increase the end of the year forecast carry forward deficit from £26.7 million in 2021/22 to £40.3 million at the end of 2022/23. Work continues on the Education Transformation Programme which will be focused on the continuing improvement in SEND provision, with particular focus on sustainable school-led programmes, addressing the deficit in the High Needs Block. However, in the absence of government action the DSG deficit forecast is anticipated to rise further until mitigation plans can be fully developed, consulted on, and begin to take effect in the coming years.

3.15 **Housing Revenue Account (HRA)** – the HRA report presents the annual budget, Housing Investment Plan and 30-year HRA Business Plan model that, in addition to building new homes, will redevelop and regenerate existing properties.

3.16 The annual 2022/23 budget is expected to be £127.1 million (an increase of £5 million from 2021/22) and includes a rent increase of 4.1% (CPI (September) plus 1%) for 2022/23. 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.

3.17 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.

3.18 In addition to the above, the Council continues to progress the delivery of an ambitious rolling capital programme over the period from 2022/23 to 2031/32, which has a gross value of £1,906.1 million (including the HRA) and is fully funded through the use of HRA revenue and reserves, external funding, capital receipts and prudential borrowing.

3.19 As at 1st April 2022 the Council's General Fund earmarked revenue reserves (which include Public Health) are estimated to amount to circa. £95.3 million. Housing Revenue Account earmarked revenue reserves are estimated to amount to £99.1 million and School Balances £7.3 million. These funds are earmarked for specific purposes as outlined in section 15. In addition, as at 1 April 2022 the general reserve which reflects the other strategic operational and financial risks considered when recommending the minimum level of unallocated General Fund reserve is forecasted to be £32.5 million subject to end of year position.

3.20 The proposals above all form the basis of the Council's final revenue and capital budget for 2022/23.

4. Council Strategy & Financial Planning

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

4.2 The Council's refreshed Corporate Strategy 2022 to 2027 remains the main strategic document and sets out the Council's vision for Bristol, including the key priorities to be delivered over the medium term. It links with other key strategies and contributes to the delivery of the long-term One City Plan and shared vision for the city.

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

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

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

4.5 In the current financial climate, a phased approach may need to be adopted to ensure services are sustainable and can plan appropriately for change. Through the service planning process, we will ensure resources are aligned with the Corporate Strategy priorities, transitioning our existing spend towards the priorities outlined in the strategy. We will continue to work internally and externally with our partners locally, regionally and nationally and leverage additional external funding linked to the strategic priorities and objectives of the Council.

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

4.7 The MTFP and Capital Strategy approved by Full Council, December 2021 outlined the national context, new legislative and policy change and the specific service and funding issues over the period. The budget strategy and reserve policy set out the main options for mitigating the financial impacts outlined, ensuring that our reserves are kept at an appropriate level to enable the Council to be resilient to future shocks, stressors and emergency situations that we may encounter in the future, and to plan effectively for our known and potential one-off liabilities.

4.8 The economic uncertainty and ongoing response to the Covid-19 pandemic and Brexit has led to the government only providing a single year financial settlement for local authorities and retaining commitment to return to multi-year spending reviews when appropriate.

4.9 For 2022/23 local authorities have received the fourth one-year settlement in a row, which continues to hamper financial planning and financial sustainability. The one year local government allocation in a multi-year departmental spending plan and the scale of one-off grants allocated in the provisional settlement provides the greatest indication that local government funding reforms such as the Fair Funding (aimed at designing a new system for allocating funding between councils via a renewed methodology) and Business Rates reviews (100% to 75% retention and wider reforms of the business rate system) will be introduced for 2023/24. These reforms will set new funding baselines for every authority and presents a significant risk to future funding for the Council.

4.10 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. This has been done using best estimates from available data and based on the announced information in the Local Government Finance Settlement for 2022/23.

4.11 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 2021/22

5.1 This report is concerned mainly with the budget estimates for 2022/23, however, it is important to consider the current year financial performance and therefore the starting point for formulating these budgets is the latest 2021/22 (P8) forecast outturn.

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

5.3 The current full year forecast position, based on known information at the end of November 2020 is a net £0.7 million (0.2%) overspend against the approved general fund budget, after taking into consideration the additional funding that has been allocated to the council to deal with the Covid pandemic. The gross position had this additional funding not been applied is a £27.2 million overspend (6.4%). This is predominately attributed to Adult Social Care, increase in service demand and market costs pressures, Home to School Transport services for children with high needs and loss of Council income caused by lockdown restrictions.

5.4 For ring-fenced accounts, in-year forecast reports a £0.65 million underspend for HRA (0.53%), £16.8 million overspend for DSG (9.2%) and a balanced position on the Public Heath grant.

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

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

5.7 Further details of the forecast year end position can be found in the Period 8 2021/22 Financial Monitoring Report presented to Cabinet 18 January 2022.

6. General Fund Revenue Budget 2022/23

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

6.2 The proposed General Fund revenue budget for 2022/23 totals £431.1 million, a net increase of £6.9 million from the 2021/22 Baseline budget (£424.1 million, part of the total includes £35.3 million of one-off revenue investment). This increase includes £30.0 million in 2022/23 (and £33.1 million over the MTFP) investment in recurrent base budget as well as £6.0 million of one-off costs.

Table 6.1 – Summary of the on-going and one-off net costs and income up to 2026/27

21/22 £m	Description	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m
388.796	Annual Base Budget Requirement	425.033	428.238	436.816	446.746	458.028
388.796	Baseline Funding	416.464	428.237	437.169	447.098	458.381
0	**(Surplus)/Deficit**	**8.570**	**0**	**(0.353)**	**(0.353)**	**(0.353)**
31.414	One-Off Costs	6.017	**0**	**0**	**0**	**0**
35.314	One-off Funding	(10.586)	**0**	**0**	**0**	**0**
(3.900)	**(Surplus)/Deficit**	**(4.569)**	**0**	**0**	**0**	**0**

(3.900)	**(Contribution to)/Drawdown from General Reserve**	**4.000**	**0**	**(0.353)**	**(0.353)**	**(0.353)**

6.3 The total proposed budget (£431.1m) includes £4 million drawdown from General Reserve and use of £4.6 million of one-off funding to meet the £8.6 million baseline pressure in 2022/23 whilst new savings proposals deliver over 2022/23 and 2023/24 and therefore the current budget shows a sustainable medium-term position subject to delivery of savings as outlined in the report.

Table 6.2 – Summary of the proposed General Fund Revenue budget for the 5-year MTFP period

21/22 £m	Item	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m
377.679	Base budget Carried Forward	**388.795**	**425.033**	**428.238**	**436.816**	**446.746**
1.464	Inflation	21.007	12.898	10.164	10.336	10.512
(5.252)	**Savings**	**(14.737)**	**(10.744)**	**(2.113)**	**(0.673)**	**(0.468)**
14.904	Service Investments	29.968	1.050	0.528	0.267	1.239
388.796	**Baseline Costs**	**425.033**	**428.238**	**436,816**	**446,746**	**458,028**
35.314	One-off Costs	6.017	-	-	-	-
424.110	**General Fund Budget**	**431.052**	**428.237**	**436,816**	**446,746**	**458,028**
236.197	Council Tax	243.198	252.743	261.212	269.400	277.100
133.621	Business Rates (NNDR)	140.745	138.896	138.834	140.033	143.058
3.812	New Homes Bonus	3.430	-	-	-	-
30.355	Social Care Grant	37.456	36.598	37.123	37.665	38.223
24.388	Covid-19 Grants	-	-	-	-	-
0.773	Lower Tier Services Grant	0.814	-	-	-	-
-	22/23 Services Grant	7.032	-	-	-	-
	Drawdown from General & Earmarked Reserve	9.231	2.800	(0.353)	(0.353)	(0.353)
(5.037)	Collection Fund Surplus/(Deficit)	(10.854)	(2.800)	-	-	-
424.110	**Funding**	**431.052**	**428.237**	**437.169**	**447.098**	**458.381**
0	**Budget Surplus/(Deficit)**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

6.4 The following specific changes and key assumptions have been made in the development of the 2022/23 budget.

- Council Tax increase of 2.99% (including 1.99% for general purposes and 1% Adult Social Care Precept).
- An increase of £7.1 million in the amount of business rates income receivable.

- A pay rise for all employees of 2.5% noting final pay award to all is subject to agreement with trade unions.
- Additional 1.25% increase in employee national insurance contributions due to the new Health and Social Care levy.
- Centrally held general inflationary provision for supplies and services budgets, eg essential utilities such as gas, electricity and water, external insurance premiums and business rates payable by us.
- General inflationary increase on fees and charges.
- Specific inflationary increases in Private Finance Initiative (PFI) unitary charges based on contractual terms and conditions. Specific inflationary increases as set out in other (non-PFI) long-term contracts.

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

6.6 The council tax referendum threshold remains in place, for 2022/23 the threshold set by central government is 3% for Bristol, which includes an additional 1% precept for Adult Social Care. If council tax is set below this threshold, it would mean the permanent loss of council tax baseline yield with no opportunity to make up the losses in future years without triggering a costly local referendum exercise.

6.7 During this period of continuous uncertainty, we are conscious of the impact of council tax increases on Bristol residents. Given the growth in demand for our services and the absence of any new permanent funding being made available by government, the Council is required to take action to ensure the sustainability of Social Care and therefore proposes to take up the Social Care Precept of 1%. This proposal seeks approval to increase 2022/23 council tax by 2.99% (£7.1m net of increase in tax base) split between:

- General Council Tax increase of 1.99% (i.e. £4.7m)
- Social Care Precept of 1.00% (i.e. £2.4m)

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

Service and corporate pressures

6.9 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.

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

Table 6.3 – Breakdown of the baseline expenditure pressures and investments

Description	22/23	23/24	24/25	25/26	26/27

	£m	£m	£m	£m	£m
Total Inflationary Pressures	21.007	33.905	44.069	54.405	64.917
Total Service Pressures	29.968	31.018	31.545	31.812	33.051
Total Baseline Pressures	**50.975**	**64.923**	**75.614**	**86.217**	**97.968**

(note that figures in this table are shown cumulative)

6.11 The total proposed budget (£431.1m) above includes £10.6 million of one-off funding which has been incorporated to balance the 2022/23 financial pressures and meet one-off costs including £5.2 million draw down from earmarked reserves have been included to balance the financial pressure as originally planned in 2021/22. Table 6.4 below summarises the one-off funding position, this spend is managed through earmarked reserves and noted in section 15 below.

Table 6.4 – breakdown of the one-off income and expenditure

One-off Spending	22/23 £m	23/24 £m
100% Business Rates Pilot	(3.565)	
Lower Tier Services Grant	(0.814)	
22/23 Services Grant	(7.032)	
New Homes Bonus	(3.430)	
ASC Market Sustainability Grant	(1.369)	
Collection Fund	10.854	2.800
Business Rates Reserve	(5.231)	(2.800)
Total One-off Income	**(10.586)**	**0**
Lost income (Covid) incl. Leisure PFI	1.000	
Educ. Transformation Support for SEND	0.500	
Developing Property Strategy/ Asset Management Plan	0.500	
Project Management Delivery Capacity	0.400	
New Priority Investments	2.000	
ASC Market Sustainability Spend	1.369	
Child Sexual Abuse Inquiry	0.085	
Rent at Bridewell for assessment services	0.163	
Total One-off Expenditure	**6.017**	
One-off Surplus	**(4.569)**	**0**

6.12 Full details of the 2022/23 service cash limit budgets are set out in Appendix 1 with key areas of investment and savings set out below.

People

Adult Social Care

6.13 Adult Social Care (ASC) has continued to deliver care and support throughout the

Covid-19 pandemic, to ensure people who were going through difficult times and faced challenges in their lives continued to get the best opportunities to live their lives well.

6.14 Covid-19 has created significant demand and resource challenges for the service. To give you a flavour of just some of this work during 2021/22 ASC has:

- responded to 34,973 contacts at the service's front door
- undertaken 2,028 new Care Act assessments and 3,286 social care reviews
- triaged 3,190 Safeguarding Adults concerns
- supported 1,734 people with reablement support
- as part of the Integrated Care Bureau with Sirona, supported 5,056 referrals for people to be safely discharged from hospital
- delivered 86,102 meals
- worked with and supported over 450 providers/organisations across 1656 contracts.

6.15 Increased Covid-19 demands, having to provide care differently and at pace to facilitate safe and timely hospital discharges, has inevitably translated into increased cost pressures for the service. Market sustainability issues have also created significant cost pressures for ASC. Care providers have experienced cost pressures in relation to infection control issues and workforce challenges with widespread staff shortages where they have been unable to match pay rates being offered in other sectors.

6.16 Despite Covid-19 government grant funding and financial support via the NHS Hospital Discharge Programme, these cost pressures have been significant with the service forecasting an in year overspend of £8.7 million for 2021/22 having been unable to meet their challenging savings targets because of the pandemic.

6.17 The legacy of Covid-19 on both mental and physical health is still hard to predict, as new strains emerge but will contribute to future demand for health and social care services and is reflected in the services cost pressures and essential budget 2022/23 proposals as set out below.

Table 6.5 – breakdown of the baseline expenditure pressures and investments within Adult Social Care

Description	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m
Adult Purchasing Costs, placement cost pressures	11.191	11.191	11.191	11.191	11.191
Demand/demographic growth	1.014	2.108	3.145	4.030	5.215
Social work and other support staff - Improved Better Care Fund	1.800	1.800	1.800	1.800	1.800
Extra Care Housing recommissioning	1.447	2.047	2.047	2.047	2.047
Home Care Contract recommissioning	0.606	0.606	0.606	0.606	0.606
Total Pressures	**16.058**	**17.752**	**18.789**	**19.674**	**20.859**

(note that figures in this table are shown cumulative)

6.18 In addition, care provider contractual inflation uplifts for 2022/23, 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 2022/23.

The Settlement - distribution of social care resources

6.19 The Local Government Finance Settlement set out proposals for social care services funding for 2021/22:

- An increased Social Care Grant – Bristol's share increased from £13.8 million to £19.1 million for 2022/23
- Increased funding via the Improved Better Care Fund – Bristol's share increased by £0.5 million to £17 million for 2022/23. This is an inflationary uplift on 2021/22 allocations in line with the September 2020 to September 2021 change in the Consumer Price Index (CPI).
- A new Market Sustainability and Fair Cost of Care Fund from the Department for Health and Social Care to support Local Authorities prepare their markets for reform and move towards paying providers a fair cost of care. Bristol's allocation is £1.4 million for 2022/23.

Market sustainability and Fair Cost of Care Fund

6.20 This new fund has been set up to ensure that local authorities are able to move towards paying a fair cost of care. This forms part of the £3.6 billion confirmed at Spending Review 2021 to implement Charging Reform / price cap on the cost of care. These proposals are funded by the new Health and Care Levy announced in September 2021.

6.21 To secure funding local authorities are required to:

- conduct a cost of care exercise
- engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market
- strengthen capacity to plan for, and execute, greater market oversight and improved market management to ensure markets are well positioned to deliver care
- Provide a provisional market sustainability plan setting out local strategy for the next 3 years (2022 to 2025).

Social Care white paper

6.22 2021/22 also saw the publication of the white paper People at the Heart of Care which set out a 10-year vision for adult social care and provided information on funded proposals that will potentially be implemented over the next 3 years including:

- At least £300 million nationally to integrate housing into local health and care strategies, with a focus on increasing the range of new supported housing options available. This will provide choice of alternative housing and support options and is complimentary to the Bristol Better Lives at Home project.
- At least £150 million nationally of additional funding to drive greater adoption of technology and achieve widespread digitisation across social care. Digital tools and technology can support independent living and improve the quality of care.
- At least £500 million nationally so the social care workforce has the right training and qualifications, and feels recognised and valued for their skills and commitment.
- A new practical support service to make minor repairs and changes in people's homes to help people remain independent and safe, alongside increasing the upper limit of the Disabled Facilities Grant for home adaptations such as stairlifts, wet rooms and home technologies.
- Up to £25 million nationally to work with the sector to kick-start a change in the

services provided to support unpaid carers.

- £30 million nationally to help local areas innovate around the support and care they provide in new and different ways, providing more options that suit people's needs and individual circumstances.
- A new national website to explain the upcoming changes, and at least £5 million to pilot new ways to help people understand and access the care and support available.
- More than £70 million to increase the support offer across adult social care to improve the delivery of care and support services, including assisting local authorities to better plan and develop the support and care options available.
- Proposed care cap to provide a limit to the cost of care for everyone in the adult social care system for the first time, significantly increasing state support.

6.23 Whilst there is much work to be done to deliver social care reform, we do not believe that the funding currently allocated is sufficient (£3.6bn nationally over 3 years). The costs of implementing the care cap, the fair cost of care reforms and the cost associated with setting up the IT systems and processes and staff time needed to deliver the additional assessments, will considerably exceed this. The level of funding needed to support social care reform needs to match the stated ambition.

Children, Families and Safer Communities Teams

6.24 During 2021/22 Children, Families and Safer Communities' Services faced significant impacts and budgetary pressures, as a result of Covid-19 with an overall forecast overspend of £6.7 million (offset by one-off Covid-19 grant funding of £2.8m). Pressures directly attributable to Covid-19 totalled £6.4 million, with significant increases in externally provided children's placement costs presenting the area of most financial concern, having risen by 11%. These underlying cost pressures have been driven by a reduction in the rate of children exiting care to alternative forms of permanency, driving a 5% growth in Bristol's care population. These cost and demand pressures continue into 2022/23 and are reflected in the summary below.

Table 6.6 – breakdown of the baseline expenditure pressures and investments within Children, Families and Safer Communities Teams

Description	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m
Bristol Children's home staffing and maintenance costs	0.600	0.900	1.150	1.150	1.150
Social work and support staff and other accommodation and ICT costs	1.119	1.119	1.119	1.119	1.119
Home carers absence cover - agency staff	0.200	0.200	0.200	0.200	0.200
Children's Placements demand and cost pressures	4.806	3.812	2.617	1.946	1.946
Adoption west - increase in contract price	0.063	0.063	0.063	0.063	0.063
Support to Afghan families and children	0.085	0.085	0.085	0.085	0.085
Support for homeless families	0.120	0.120	0.120	0.120	0.120
Total Pressures	**6.993**	**6.299**	**5.354**	**4.683**	**4.683**

6.25 Bristol continues to prioritise and protect Children's Services and we look forward to the outcome of the national Independent Review of Children's Social Care, which is expected to report in spring 2022, which we hope will make clear the investment needed to give children and families the help they need to thrive. We recognise that how we spend money in the children's social care system matters but understanding the cost of adverse outcomes for children is even more important.

Education

6.26 The Education and Skills service is reporting an in-year pressure of £4 million (partially offset by £1.7 million one-off Covid-19 funding which leaves a net forecast overspend of £2.3 million; of which £2.1 million is Covid-19 related). These cost pressures mainly relate to Home to School Transport due to increased supplier costs, as well as additional SEN assessments, where a proportion of children require transport support, having to travel further due to local capacity issues.

Table 6.7 – breakdown of the baseline expenditure pressures and investments within Education

Description	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m
Special Educational Needs Support	1.666	1.666	2.051	2.051	2.051
Home to School Transport Increased Demand	2.281	2.331	2.382	2.435	2.488
Total	**3.947**	**3.997**	**4.433**	**4.486**	**4.539**

6.27 Following an Ofsted review in 2019, the Education service has developed an action plan and invested significant resources in the Education Health and Care Plan (EHCP) assessment and planning process in order to address some of the concerns reported. This work continues.

Growth and Regeneration

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

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

6.29 During the pandemic, due to the social distancing measures introduced by the government and the general economic conditions, G&R has seen significant losses on both service income and commercial income. The recovery of these income streams is likely to take some time. Most Covid-19 income losses and additional expenditure were covered by government grants in 2020/21. 2021/22 has seen some level of recovery, however, 2022/23 could still prove challenging as the pandemic remains a significant concern and government funding to mitigate such income losses was withdrawn in 2021/22. Table 6.8 below outlines the emerging pressure as a result of Covid-19 that is now built into the base budget from 22/23 onwards.

6.30 It should be noted that inflationary uplifts for energy price pressures totalling £1.1 million, staff salaries, are held corporately and may be requested in 2022/23.

Table 6.8 – breakdown of the baseline expenditure pressures and investments within Growth & Regeneration

Description	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m

Homelessness Temporary Accommodation	2.300	2.300	2.300	2.300	2.300
Lost parking income due to active travel schemes	0.600	0.600	0.600	0.600	0.600
Regulatory Services - taxi licenses	0.070	0.070	0.070	0.070	0.070
Total	**2.970**	**2.970**	**2.970**	**2.970**	**2.970**

Resources

6.31 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.

Corporate expenditure

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

6.33 **Pay awards** - as part of the Spending Review 2020, it was announced that Public Sector staff (excluding the NHS) who earn more than £24,000 pro rata, would have a pay pause in 2021/22. Those that earn below this will receive a pay rise of a minimum of £250. Pay awards for local government workers are agreed in negotiations between employers and trade unions through the National Joint Council for Local Government Services. Subsequently, the national employers, who negotiate pay on behalf of 350 local authorities, have offered a 1.75% pay award for the majority of employees, with those on the lowest salaries receiving 2.75%. This level of potential award has been provided for in the 2021/22 budget, however, is subject to negotiation which is currently not concluded at the time of writing this report. For each year from 2022/23 a 2.5% pay award is included in the budget.

6.34 **Contract Inflation** – to deliver efficiencies through contract management inflation is not applied automatically to all expenditure. A detailed review of contracts identifies key services and contracts where inflation is unavoidable, these include, Social Care placements, ICT contracts, PFI contracts and Waste Contracts. Inflation has been provided for at 4% for 2022/23 and 3% for 2023/24 with 2% from 2024/25 and beyond. With specific allocations where contract inflation is above these levels for example energy prices.

6.35 In addition to the above the increase in the National living wage of average 6.6% and Health and Social Care levy National Insurance Contribution 1.25% applicable to the provider market have further increased the pressures on the inflation related budgets. Due to the significant uncertainty regarding current levels of inflation across a variety of goods and services, additional contract inflation contingency of £2 million has been included to make provision for any unexpected increases over the next financial year.

Table 6.9 – breakdown of the Corporate Expenditure budgets

Corporate Expenditure	22/23 £m

Capital Financing	22.495
Corporate and Democratic Core and Levies	10.866
One off funding held prior to transfer	7.595
Other including Contract Inflation and pay awards	21.246
Total	**62.202**

Savings

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

6.37 The Council identified six key areas for consideration and service reviews:

- Property and capital
- Be more business-like and secure more external resource
- Improving efficiencies
- Digital transformation
- Reducing the need for direct services
- Redesigning, reducing, or stopping services.

6.38 The recommendations emanating from these reviews have identified the potential for savings, efficiencies and income generation opportunities in the region of £34.3 million, subject to further due diligence, engagement, impact assessment and consultation: £17.9 million of savings in the 2022/23 financial year, and £16.4 million for future years as shown in Table 6.10 below (full details of the savings recommended for approval are set out in Appendix 8).

Table 6.10: savings breakdown

Saving Category	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m	Total £m
Property and capital investment	1.510	2.050	0.895	0.550	0.468	5.473
Be more business-like and secure more external resource	2.747	1.975	0.415	0	0	5.137
Improve efficiency	6.342	904	0	0.123	0	7.369
Digital transformation	0.310	0	0	0	0	0.310
Reducing the need for direct services	1.450	0.300	0.050	0	0	1.700
Redesigning, reducing or stopping services	5.507	7.960	0.500	0	0	13.967
Total	**17.866**	**13.189**	**2.113**	**0.673**	**0.468**	**34.309**

Note: savings agreed in previous years' budgets and or carried forward are excluded from these figures.

6.39 An optimism bias contingency for the new proposals for 2022/23 of £3.4 million (with a further £2.4m in 2023/24) has been set aside. A savings contingency at this level is deemed appropriate considering the level of savings proposed, stage of due diligence on each and crosscutting nature of a number of the propositions.

6.40 £3 million is also included within the budget for any planned write off or changes to savings as a result of the consultation. This ensures there is contingency if savings are unable to progress due to change in assumptions from initial plans or plans changing as a result of consultation. Any use of this contingency will need to be considered by Cabinet in future decision making. Holding a contingency within the approved budget provides in-year flexibility to respond to any consultation, equality impact or delivery challenges and must also be assessed alongside the level of General Fund reserves.

6.41 During 2021/22, the following historic savings of £0.4 million were written off as no longer able to be delivered. This was funded from the savings contingency initially put aside in the 2021/22 budget.

Table 6.11 – list of savings written off during 2021/22

Description	Amount £m
FP01 - Alternative to expensive nightly accommodation	0.190
FP35 - Identify alternative funding to continue to support people in Council Housing	0.210
Total	**0.400**

Long Term Shareholdings and Other Investments

Shareholdings

6.42 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.

6.43 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.

6.44 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.

6.45 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 2022/23 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.

Other investments

6.46 The Council's other investment activities are outlined in table 6.12 below:

Table 6.12 – breakdown of all the Council's non- Treasury investments

Investment	Type	Total Investment Agreed £m	Current Investments £m
Port Company	Initial Retained Capital	2.500	2.500
City Funds	Loan Capital	5.000	2.477
Bristol Credit Union	Loan Capital	0.500	0.500
Homelessness Property Fund	Loan & Share Capital	10.000	9.288
Avon Mutual Community Bank	Share Capital	0.300	0.200
Bristol & Bath Regional Capital	Loan Capital	0.250	0.250
Bristol Old Vic	Loan Capital	0.948	0.108
Total		**19.498**	**15.323**

6.47 It is anticipated that from this investment the Council will benefit socially, economically, environmentally and financially. Following the pay-back period, any surplus can be used as appropriate to support the Council's revenue budget position or deliver key priorities.

7 Collection Fund Surplus / Deficit

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

7.2 As reported to the Council on 11 January 2022, overall there is an estimated deficit on the Collection Fund for the year ending 31 March 2021 of £13.4 million of which the Council's share is £10.9 million.

8 Council Tax 2022/23

8.1 The threshold for increasing the council tax for 2022/23 is 3% which includes 1.00% Social Care Precept and core council tax increase of 1.99%. The precept will need to be identified separately and the s151 Officer will be expected to notify the Secretary of State of the amount intended to be raised and verify that the funding has been used for adult social care.

8.2 The full statutory calculation in respect of Bristol council tax including precepts for Police & Crime Commissioner and Avon Fire Authority can be found in Appendix 11.

Calculation of the Council's Tax Base

8.3 On 11 January 2022 Full Council approved the tax base for the year 2022/23 as 127,917. This represents a decrease of 0.02% on the previous year's tax base (127,950).

Council Tax by band

8.4 It is recommended that the following amounts be submitted for agreement by Full

Council for the year 2022/23:

- £243,198,359 being the sum to be met from Council tax in 2022/23 for services provision (£236,197,106 in 2020/21)

Bristol City Council's share of council tax for the year 2022/23 for the services it provides for each category of dwelling is shown as follows:

Table 8.1 – 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 £
2022/23 Council Tax	1,267.48	1,478.72	1,689.96	1,901.22	2,323.70	2,746.20	3,168.69	3,802.43
2021/22 Council Tax	1,230.68	1,435.79	1,640.90	1,846.02	2,256.24	2,666.47	3,076.70	3,692.04
Percentage Increase	**2.99%**	**2.99%**	**2.99%**	**2.99%**	**2.99%**	**2.99%**	**2.99%**	**2.99%**
Annual Increase	**36.80**	**42.93**	**49.06**	**55.20**	**67.46**	**79.73**	**91.99**	**110.39**

Energy Bills and Council Tax Rebate

8.5 The government recognises many households will need support to deal with rising energy costs, which are being affected by global factors. From 1 April, the energy price cap will rise from £1,277 to £1,971 – an almost £700 increase in energy bills for the average household. Wholesale gas prices have quadrupled in the last year. Because gas is used for electricity generation this pushes up retail electricity bills as well as retail gas bills.

8.6 The government has announced a package of support to help households with rising energy bills in 2022/23. This includes:

- A £200 discount on their energy bill this Autumn for domestic electricity customers. This will be paid back automatically over the next 5 years.
- A £150 non-repayable rebate in Council Tax bills for all households in Bands A-D in England.
- £144 million of discretionary funding for Local Authorities to support households who need support but are not eligible for the Council Tax rebate.

The Council Tax rebate

8.7 Households in England residing in Council Tax Bands A-D will be eligible for a £150 rebate in their council tax bill from April this year. The rebate to bills will be made directly by local authorities and this will not have to be repaid. This would indicate that at least 90% of households in Bristol (applied to primary residence only) are in Council Tax Bands A-D, therefore should benefit from this rebate, noting that the rebate will not be paid for second homes or empty properties. This payment will operate outside of the council tax system, using council tax lists only to identify eligible households.

8.8 New funding will be provided to local authorities for these rebates, as well as extra funding to help with increased administrative costs. For those who need help with their energy bills but are not eligible – such as households on income support in higher bands (E-H) or with properties in bands A-D that are exempt from council tax – local authorities will receive discretionary funding to provide assistance. Further details will be set out by the DLUHC in due course along with the funding to be awarded to each authority. Delegation will be sought to adjust the relevant budgets on receipt of the funds, and develop and implement the discretionary policy to facilitate the administration of the scheme at the earliest possible opportunity.

9 Dedicated Schools Grant

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

[DSG published papers]

9.2 The DSG is calculated based on the following 4 funding blocks: Schools Block, High Needs Block, Central Services Block and Early Years. The overall headline increase in the 2022/23 DSG is £15.9 million (3.9%) giving a total DSG of £421.5 million.

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

Table 9.1 - DSG Funding Allocation by Block

Block	Purpose	21/22 Allocation £m	22/23 Allocation @ January 2022 £m	Increase £m	Increase %
Schools Block	**For distribution through the formula for mainstream schools and academies and for growth in schools**	297.264	**306.192**	8.928	3.0%
Central School Services Block	**For local authority core functions, admissions, and historic commitments**	2.774	**2.742**	0.032	-1.2%
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**	68.366	**78.214**	9.848	14.4%
Early Years Block	**Funding for distribution to Early Years settings for 2-3 and 4 year old early years provision, with some provision for central oversight and co-ordination**	37.185	**34.388**	2.797	-7.5%
Total DSG Allocation		**405.589**	**421.536**	**15.947**	**3.9%**

Schools Block

9.4 The Schools Block total is £306.2 million and made up of the following:

- Pupil led DSG funding £294.3 million - this is the sum allocated to the LA based on the number of pupils recorded in the October 2021 census.
- Premises led funding £10.0 million - element of the Schools Block DSG that recognises costs not defined by NFF values.
- Growth Funding £1.9 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 teachers pay and pensions increases that was previously made via grant funding.

9.6 The October 2020 census had 35,360 primary pupils, a decrease of 508 (1.4%) from October 2019, with secondary pupil numbers increasing by 641 (3.2%) to 20,579. Of the 126 Bristol schools, 74 schools have a reduction in pupil numbers on roll (NOR) in 2022-23, whilst four are static and 48 have increased NOR. The Minimum per Pupil funding levels were made a mandatory item in the formula and the rates are dictated by the NFF. For 2022/23 the primary rate is £4,265, and £5,525 for secondary school pupils.

9.7 In developing the formula for 2022/23, 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 2022/23.
- The Minimum Funding Guarantee (MFG) to be set at +0.5%.
- The lump sum to be preserved at £125,000 for both Primary and Secondary.
- Any remaining funding directed to the Additional Education Needs (AEN) factors.

9.8 Transfer 0.5% of Schools Block to High Needs Block £1.5 million - Schools Forum agreed to the transfer of 0.5% of the Schools Block to the High Needs Block at its meeting in November 2021 and the funding is to be earmarked to support the Education Transformation programme. Please note that this is the maximum threshold and any amount beyond 0.5% would require Secretary of State approval.

9.9 Growth Fund allocation £2.0 million - this funding is the top-slice of the Schools Block taken in order to fund growth expansions in existing schools for the following academic year, separate to the growth commitment in "new and growing" schools" which is funded within the formula mechanism. The commitment for 2022/23 is estimated at £1.9 million, leaving £0.1 million for new commitments that may arise during the admissions round.

9.10 Following the deduction of the two areas above the balance remaining for Mainstream Schools formula is £302.7 million, including the mandated elements of the formula.

9.11 The Minimum Funding Guarantee was set at +0.5% in line with prior year, and within the average overall increase, individual schools will receive more or less funding, depending on the impact of the changes in the formula and pupil numbers.

9.12 Subject to approval of the draft formula by the ESFA, overall, 91 of the 126 schools are set to receive an increase in cash funding in 2022/23, whilst 35 out of the126 schools will receive less funding than in 2021/22. In all 35 schools receiving a reduction in funding this is being driven by a reduction in pupil numbers on roll that more than offsets per-pupil funding gains in the formula.

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

High Needs Block

9.14 The DSG is forecasted to start the year with a brought forward deficit and the key financial pressure within the DSG is in the High Needs Block. The High Needs year end deficit is currently forecasted to be £29.3 million, which includes surpluses held for the Education Transformation programme. The outcome of the DFE's SEND review is still awaited, in its absence it is anticipated that the High Needs block will continue to experience significant pressures as the Council delivers SEND improvement activities, responds to the Written Statement of Action and supports children and young people with increasing need and complexity of support.

9.15 In recognition of the broader national issues in Higher Needs funding, the funding announced in December allocated £75.5 million in 2022/23 to the High Need Block, representing an increase in funding of £7.2 million (10.5%) including Teachers Pay and Pensions Grant.

9.16 Further to publication of the papers for Cabinet and the Schools Forum, notification has been received from the ESFA of £325 million of additional High Needs Block funding nationally for 2022/23. Bristol's element of this additional funding will be £2.7 million, taking the total additional funding for 2022/23 to £9.8 million (14.4%). This includes funding in respect of the Health and Social Care Levy, (circa.1% pressure on authorities' high needs budgets) and also takes into account that colleges and other post-school providers offering extra hours of study to 16 to 19 year old students, may require extra high needs top-up funding to support such students with high needs. The notification also recommends future budget funding assumptions of 5% increase in 2023/24 and 3% for subsequent years thereafter.

9.17 With agreement from the Schools Forum, £1.5 million (0.5%) is proposed for transfer from the Schools Block to the High Needs Block to support the Education Transformation Programme, with clear and transparent reporting to Schools Forum. This funding will not be used to support general High Needs activities or deficit but as agreed will be used to support the continuing work and aims of the Transformation Programme, focused on the continuing improvement in SEND provision, sustainable school-led programmes and addressing the deficit in the High Needs Block. It is noteworthy that 2022/23 may be the last year that this flexibility will be allowed as the DfE has already consulted on the introduction of the Hard National Funding Formula from 2023/24 which would remove local flexibility.

9.18 After taken account of the revised funding allocation for 2022/23 and indicative % increases outlined for subsequent years (previously assumed at 6% each year), Health and Social Care Levy (not previously accounted for in this area), and latest forecast position reported for Period 9, the funding for the High Needs Block is £79.7 million in 2022/23 increasing to £87.1 million by 2025/26. With the estimated spend for 2022/23 a deficit of £42.1 million is forecasted by the end of 2022/23.

Table 9.2 - High Needs Block Forecast

High Needs Block	Prior Years £m	21/22 £m	22/23 £m
Total Annual Funding (Incl. Block Transfers)		69.913	79.745
Estimated Budget Requirement		- 87.476	- 92.530
Net Annual HNB Deficit		- 17.563	- 12.785
Accumulated HNB Deficit	**-11.797**	**-29.360**	**-42.145**

Early Years Block

9.19 The allocation for Early Years for 2022/23 is £34.4 million (7.5%, £2.8m lower than prior year). This allocation is still indicative at this stage as the majority of the funding in this block is based on census data in January 2021 and January 2022, and the actual amount will be updated by ESFA once these census figures are known.

The funding allocation for the early years section is as below:

- The funding for 3 & 4 year olds remains unchanged at a rate £5.69 and as a result the base rate to providers will see no increase in 2022/23 and remain at £4.88. This is in effect a real terms cut for the sector which has experienced minimal support through the pandemic.
- For 2 year olds, the rate has increased by £0.26 to £5.80, this increase will be passed on in full to providers (increase from £5.56 to £5.80). In line with prior year, £0.03 will be retained for central administration.

- The indicative Maintained Nursery School supplementary funding reduced to £0.5 million in 2022/23, equivalent to 24.4% reduction from £0.7 million in 2021/22.

9.20 The Council will continue to support nursery schools in seeking to seek via the government a fair settlement for Early Years providers.

Central Services Block

9.21 The Central Services Block (CSSB) provides funding for the statutory duties the Council hold 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.

9.22 The Council has proposed a CSSB allocation for 2022/23 of £2.7 million which has been agreed by the Schools Forum, who are the decision maker in this regard. This total is composed of two distinct components:

- on-going functions £2.1 million which has increased by 5.8% from 2021/22 (£2.028m); and
- historic commitments £0.6 million, decrease of 20% (£0.7m of which £0.1m was transferred to the HNB and £0.6m retained for combined services).

9.23 The ESFA proposes to withdraw the historic element over time and this funding is insufficient to support the contribution to combined services at the previous level and a small decrease has been made to the Director of Education and Skills element. All other elements remain unchanged. The overall CSSB allocation for 2022/23 has reduced by 1.1% or £0.03 million and as a result there will be no spare funding available for transfer into the High Needs Budget in 2022/23.

Overall DSG

9.24 The DSG is forecasted (Period 9) to start the year with a brought forward deficit of £26.7 million and the key financial pressure within the DSG is in the High Needs Block. However, this is a net figure and surpluses within the fund are attributed to Schools and Early Years blocks with proposed utilisation and timing of usage not yet specified. The. overall DSG for 2022/23 is £421.5 million, with estimated 2022/23 spend of £435.2 million. The DSG deficits after taking account of short-term underspend within other funding Blocks is forecasted to be £40.3 million by the end of 2022/23. Under DSG regulations this will need to be “made good” in future years from the DSG allocations.

9.25 Table 9.3 below outlines the revised allocations following the proposed movement between the blocks.

Table 9.3: forecast block budgets after movements between blocks and carry forward amounts

DSG Block	Balance brought forward from 21/22 (forecast) £m	22/23 allocation @ January 22 £m	Movement Between Blocks £m	Final DSG 22/23 Allocation £m	Estimated Spend 22/23 £m	C/Fwd Balance £m
Schools Block	(1.626)	(306.192)	**1.531**	(304.661)	**304.661**	(1.626)

Delegation	(0.553)			-	**0.553**	-
Central School Services Block		(2.742)		(2.742)	**2.742**	-
High Needs Block & Transformation	29.360	(78.214)	**(1.531)**	(79.745)	**92.530**	42.145
Early Years Block	(0.524)	(34.388)		(34.388)	**34.707**	(0.205)
Total DSG Allocation	**26.657**	**(421.536)**	**0**	**(421.536)**	**435.193**	**40.314**

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

The DSG Deficit Management Plan is an iterative document which will set out how the deficit will be managed and reduced in the longer term. The plan will continue to be updated throughout 2022/23 and beyond, presented to Schools Forum on a termly basis. Work is underway to further develop the DSG Deficit Management Plan. This is a comprehensive tool that has been produced by the Department for Education to enable LAs to:

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

9.27 In order to deliver the service need on a sustainable footing, work and collaboration continue with the Transformation Programme working group to finalise early mitigation proposals for consideration by the Schools Forum in March 2022. Further work and engagement will be required thereafter, and where appropriate consultation on the co-design of these potential mitigations for development and implementation in subsequent years. The DSG management plan submitted to November 2021 Schools Forum can be accessed via the following link:

DSG Management Plan Agenda Supplement for Bristol Schools Forum, 30/11/2021

9.28 Schools Forum considered the proposals on the use and distribution of the available funding at its meeting on 13 January 2022, with final comments noted with this report.

10 Public Health Grant

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

10.2 Public health teams have faced an unprecedented period of prolonged uncertainty and demand pressures and the public health emergency is not over, as the Council continues to provide emergency and recovery response from the impact of new variants of the virus and the roll out of the vaccination programme which has brought a measure of relief to many people. The Council's governance processes continue to work well, in collaboration with other partners, to ensure a managed and proportionate response is being made.

10.3 In addition to the pandemic, 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.

10.4 The grant allocation for 2021/22 was £33.6 million. The allocations for 2022/23 are yet to be announced, however the Spending Review / Autumn Budget 2021 committed to maintaining the public health grant in real terms until 2024/25 and this is the principle upon which the budget in the table below has been developed.

Table 10.1 – Public Health budget 22/23

Public Health Budget 2022/23	Total expenditure £m	Total Income £m	Net Current expenditure £m
Sexual health services - STI testing and treatment (prescribed functions)	5.05	(1.70)	3.35
Sexual health services - Contraception (prescribed functions)	3.60	(2.69)	0.91
Sexual health services - Promotion, prevention and advice (non-prescribed functions)	0.57	(0.13)	0.44
NHS health check programme (prescribed functions)	0.46		0.46
Health protection - Local authority role in health protection (prescribed functions)	0.41		0.41
National child measurement programme (prescribed functions)	0.22	(0.04)	0.19
Public health advice to NHS commissioners (prescribed functions)	0.16		0.16
Obesity - adults	0.10		0.10
Obesity - children	0.10		0.10
Physical activity - adults	0.57	(0.07)	0.50
Physical activity - children	0.57	(0.07)	0.50
Substance misuse - Treatment for drug misuse in adults	6.94	(0.03)	6.91
Substance misuse - Treatment for alcohol misuse in adults	2.51	(0.01)	2.50
Substance misuse - Preventing and reducing harm from drug misuse in adults	0.04		0.04
Substance misuse - Preventing and reducing harm from alcohol misuse in adults	0.10		0.10
Substance misuse - Specialist drug and alcohol misuse services for children and young people	0.26		0.26
Smoking and tobacco - Stop smoking services and interventions	0.44		0.44
Smoking and tobacco - Wider tobacco control	0.05		0.05
Children 5–19 public health programmes	1.87	(0.27)	1.59
Mandated 0-5 children's services (prescribed functions)	9.27	(1.52)	7.75
All Other 0-5 children's services (non-prescribed functions)	1.46		1.46

Public mental health	0.18		0.18
Miscellaneous public health services - other	5.25		5.25
TOTAL PUBLIC HEALTH BUDGET	**40.19**	**(6.54)**	**33.64**

10.5 The delay in funding announcements including Covid-19 related funding, makes it extremely difficult to plan at a time when public health services are at the forefront of challenges and demand pressures relating to Covid-19.

10.6 The Public Health grant is ringfenced and operates on a principal of self-funding, as such Public Health will seek to contain the additional costs and any new burdens directly associated with the funding. Within the Council's earmarked reserve is a Public Health ring-fenced reserve of £4.0 million as at 1 April 2021. The following Public Health commitments have been identified for draw downs over the medium term, leaving a small buffer for unexpected adverse grant allocations should any technical adjustments be required following an announcement or other in year variations.

Table 10.2 – Public Health Reserve committed spend

PH Reserve - Committed Spend	2022/23 Budget £m
Physical Activity and Sport	0.47
Covid Response	1.03
Health and Wellbeing Innovation and Transformation	1.00
Total	**2.50**

10.7 The long term future of public health funding is uncertain and will be subject to the government's delayed fair funding review and may include moving from a grant to a baseline formula with attached conditions.

11 Housing Revenue Account

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

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

11.3 The HRA has a housing stock of circa 28,500 (27,000 rented and 1,500 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 rent for a council home in Bristol is £81.50, whereas the average social rent in England is £85.43. The 2022/23 budget proposes a rent increase of 4.1% which is CPI plus 1% in line with the guidance provided in The Rent Policy and Rent Standard, effective from April 2022. This means average rents will rise to £84.84.

11.6 A Service Charge is a payment made for services received in connection with the occupation of their 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 2022/23 the budget is £127.1 million (£5.0m increase 2021/22), compromising of £117 million rental income (net, after allowing for rent loss for empty properties), £8.9 million service charges (based on actual costs, plus an inflationary uplift) and £1.2 million charges for other assets, including garages, shops, and interest on balances.

11.8 The HRA Revenue expenditure includes estates and housing services, repairs, maintenance and improvements to council housing, including compliance safety programmes and supervision and management functions. There is significant inflationary uplift in costs, particularly for materials, utilities (gas and electricity) and for new contracts. This has particularly impacted budget requirements for repairing, maintaining and improving homes and blocks. However, significant efficiency savings have been identified to offset the new budget pressures.

11.9 The 2022/23 budget is outlined in the table below with a prior year comparator.

Table 11.1 – HRA 2022/23 Revenue budget summary and comparison to 2021/22

HRA Income and Expenditure	Budget 2021/22 £m	Budget 2022/23 £m	Movement £m
Dwelling rents	(113.495)	(118.248)	(4.753)
Voids	1.200	1.253	0.053
Non-dwelling rents	(1.171)	(1.205)	(0.034)
Charges for services and facilities	(8.621)	(8.927)	(0.306)
Contributions towards expenditure	(0.030)	0	(0.030)
TOTAL INCOME	**(122.117)**	**(127.127)**	**(5.010)**
Repairs & maintenance	33.854	37.288	3.434
Supervision & management	32.219	31.661	0.558
Special services	9.771	10.602	0.831
Rents, rates, taxes and other charges	0.755	0.754	0.001
Depreciation & impairment of non-current assets	29.444	30.357	0.913
Debt management	0.041	0.041	0.000
Movement in the allowance for bad debts	1.362	1.362	0.000

Movement on impairment provision	0.421	0.412	0.009
TOTAL EXPENDITURE	**107.867**	**112.477**	**4.610**
NET COST OF HRA SERVICES	**(14.25)**	**(14.65)**	**(0.40)**
Net interest payable, pension costs and other non-operational charges	11.043	11.043	0
Capital expenditure funded from HRA	3.206	3.606	0.40
SURPLUS FOR THE YEAR ON HRA SERVICES	**0**	**0**	**0**

11.10 The reasons for movement on the HRA budget between 2021/22 and 2022/23 are:

- Rents - the proposed budget assumes that rents are increased by CPI plus 1%, generating an additional £5 million in income in 2022/23.
- Net cost of HRA services – the budget is based on the planned expenditure on the properties. The increase in the budget for 2022/23 is due to the additional planned programmes in the Housing Investment Plan (HIP) which is funded via the revenue income generated.
- 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 2022/23 to 2031/32 is £1,344.6 million. The full details can be accessed via the hyperlink to the Cabinet reports in section 11.1, the overview is provided in section 9 and Appendix 2 to this report and in relation to the 30 year business plan model is covered in the section below.

The 30 Year Business Plan model

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

11.13 An extensive consultation was undertaken with stakeholders to identify the city's ambitions for council housing, which has influenced the development of the budget, Housing Investment Plan and 30 year business plan model.

11.14 The consultation demonstrated that:

- All key groups considered building new homes and energy efficiency & carbon retrofitting to be the two highest priorities
- There is support to increase rents and to borrow to deliver more, though key groups had differing views regarding the level of increase
- There is support to increase standards in existing homes, though key groups had differing views regarding the level of investment.

11.15 It is proposed that the HRA will increase its investment in new council homes, delivering 1720 new council homes to support city aspirations in delivering more affordable housing, bringing this total to 2,069 council homes by 2028/29 and to then develop or acquire 300 council homes a year over the lifetime of the business plan model.

11.16 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 2024. Should the existing policy of allowing above inflationary increases continue, and the Council chooses to apply this, any funding generated would be used to improve the condition of the existing stock. This would include extending the bathroom replacement programme and increased investment in communal areas, blocks and estates beyond 2027.

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

11.18 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.

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

- Core inflation projected at 3.4% for April 2023, 2.2% for April 2024 and then 2.0% thereafter
- Rents increasing at CPI plus 1% per annum up to and including April 2024 in line with the current social policy and then CPI thereafter
- The forecasts include a provision for re-lets at formula rent levels based on a reducing balance of 3% per year
- 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 £1,250 million over the 30 years using the latest HIP figures equating to c £46,750 per unit
- £80 million of investment in energy efficiency over 9 years to bring properties up to EPC rating C
- £8.7 million of investment over 5 years for improvements to communal blocks and estates
- £12.5 million 5 years bathroom replacement programme that will deliver 5,500 new modern bathrooms in council homes by 2027
- £424.3 million from 2021.22 over 8 years - a range of new development schemes delivering a total of 2,069 of affordable properties
- £1.8 billion invested into delivering new council homes over the lifetime of the plan
- The inclusion of loans directly attributable to the HRA totalling £244.6 million.

11.20 The HRA will require projected borrowing totalling £346.6 million over years 1 to 9 of the plan to deliver the new developments and additional investment in the existing stock. The prudential borrowing limits for the HRA is based on a maximum Interest Cover Ratio of 1.25, whilst ensuring that minimum balances are held within both the HRA, Major Repairs (£10m) and General Reserve (£21m; being the equivalent of 3 months cashflow) and that newly arising debt has a provision modelled to repay over a timeframe and that this new borrowing is not refinanced.

HRA Reserves

11.21 As at the beginning of 2021/22 the HRA General Reserve balance was £97.8 million (estimated £99.1m, 1 April 2022) and the Unapplied Capital Reserves balance was £53.7 million. The 2022/23 budget proposal assumes that £32.4 million of the General HRA reserve and £53 million of the Unapplied Capital Receipts Reserve will be utilised in the year in order to fund the Capital Programme.

11.22 This would leave a balance on the General Reserve of £61.1 million as at 31 March 2023 while the Capital Receipts reserve will have been fully utilised. The HRA will maintain a minimum level of reserves on the General Reserve at £21 million and a further £10 million on the Major Repairs Reserve. The application and use of reserves supports the achievement of service delivery and improvements to housing stock.

12 West of England Combined Authority (WECA)

12.1 The West of England Combined Authority was formed in 2017 by Bath and North East Somerset, Bristol and South Gloucestershire councils. Initial financial benefits were part of a devolution deal initially bringing £900 million of new investment funding and significant powers into the region. Since its formation, over £1.6 billion of new funding has been secured for the region.

12.2 The additional funding secured is providing added value and bringing forward investments and programmes to help support people and businesses across the West of England. The Combined Authority is working with its constituent councils to improve public transport with £540 million secured from government through a successful City Region Sustainable Transport Settlement. This was the highest amount per head awarded anywhere in England.

12.3 The West of England will be important in the UK's recovery from the impact of Covid-19, supporting our region's residents and businesses and in taking action to help people and businesses affected. The West of England Combined Authority is working with its constituent councils, other regional partners and government, to ensure people and businesses across the region are getting the support they need. The West of England Combined Authority Committee has committed over £10 million additional funding for regional recovery, which includes business support, skills and employment initiatives – this is in addition to the £125 million investment already committed to businesses and skills over the next four years.

12.4 The budget for the Combined Authority was set on 28 January 2022 by the West of England Combined Authority Committee. The following elements of the budget and medium-term financial plan have therefore been incorporated within the Council budget proposal:

- An annual revenue transport levy to reflect the cost of the core regional integrated transport services of:
    - Concessionary Travel
    - Real time information for bus services
    - Community transport
    - Bus service information
    - Supported bus services (whilst remaining a joint function with the constituent councils)
    - TravelWest and
    - Metrobus operations.

12.5 The levy charge for Bristol in 2022/23 is £10.2 million. Unitary Authority levies are pooled by the Combined Authority's Transport Integration Team and managed on a regional basis. Projected surpluses or deficits are managed on a regional basis and a transport smoothing reserve has been created to help manage financial risk.

12.6 Due to the current Covid situation, in line with government guidance, the West of England Combined Authority has maintained payments to bus operators in line with budgeted profile levels which has helped to stabilise the provider base through extended periods of significantly reduced patronage. This arrangement will roll forward into 2022/23.

12.7 As part of the City Region Sustainable Transport Programme of £540 million outlined above, the element for Bristol is £191 million and requires match funding from the Council of £38 million. Further detail is in section 13 on the capital programme.

12.8 Within the City Region Sustainable Transport Programme, the Combined Authority will passport £25 million per annum of capital funding to the West of England Unitary Authorities to provide highways maintenance and transport improvement grants. This represents an increase in comparison with the previous £17.5 million baseline as funded through the 100% Business Rates Retention Pilot. Bristol's element of this funding will be £8.8 million (£6.5m 2021/22).

12.9 The published West of England Combined Authority investment programme will continue to support a number of projects and initiatives for our Unitary Authority throughout 2022/23 including:

- Bristol City Centre & High Streets
- WE Work for Everyone
- Bottleyard Studios / Hawkfield Business Park
- Reboot West
- Bristol High Streets - Bedminster
- Temple Meads Masterplan
- South Bristol Enterprise Support
- Realising Talent [NEET]
- Local CEIAG Action Research
- High Street regeneration.

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

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

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

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

13 Capital Programme 2022/23 to 2031/32

13.1 The Council plays a key role in investing in the infrastructure of the city and its communities; providing facilities for local people to use as well as stimulating investment to support growth in housing and business premises that provide jobs and opportunities. This role becomes even more essential considering the Covid-19 pandemic and its effect on employment and the economy.

13.2 The Council's capital strategy which was approved in December 2021 is aligned to the financing principles set out in the MTFP, ensuring that the development of all prospective schemes is based on a clear evidence base and whole-life costing with, where appropriate, anticipated pay-back of the investment. The capital strategy is reviewed annually and particularly in line with the development of an asset management strategy, which will outline the approach to capital investment, ensuring that it is affordable, sustainable and prudent as well as aligned to the Council's corporate priorities. It will support the provision of the right blend of investment in key priority areas to do the following:

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

13.3 The latest update to the Council's capital strategy included significant updates which have been adhered to in developing the draft capital programme. These include:

- Enhanced governance and a more rigorous approach to managing schemes through their lifecycle which is aligned to HM Treasury Green Book principles
- Working within agreed affordability principles for the General Fund (capital financing costs no more than 10% of net revenue budget), HRA (an interest cover ratio of at least 1.25) and loan exposure to the Council's subsidiaries.
- Creation of a new Feasibility Fund to undertake a more indepth assessment of schemes (in terms of cost, scope and risk) before they enter the capital programme to mitigate the risk of scope creep and cost escalation over the project lifecycle.

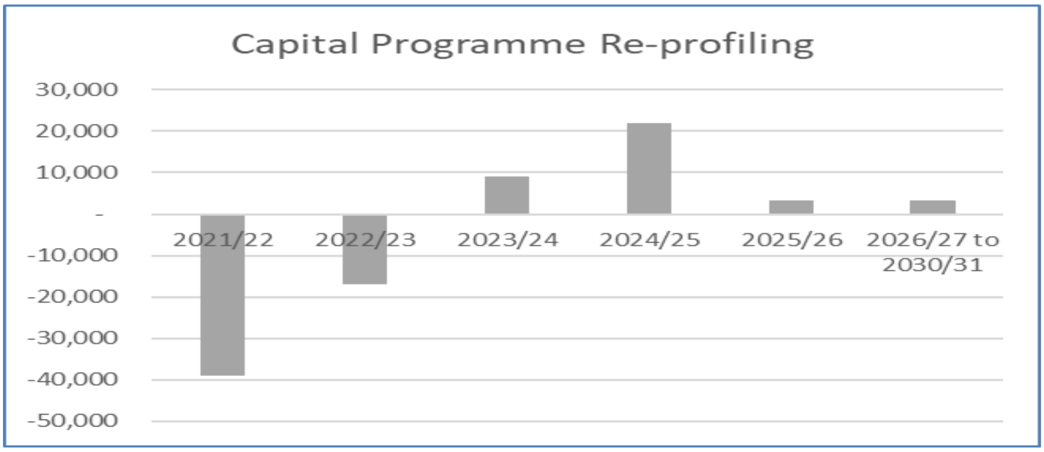
13.4 The Council has an ambitious capital programme over the next ten years. A significant proportion of this programme is aligned to large infrastructure investments that will support long term regeneration across the city, such as programmes of new housing building and developing the Temple Quarter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

13.5 The development of the capital programme for 2022/23 to 2031/32 has been within the parameters of the capital strategy and guided by the following approach set out in the approval of the MTFP by Council in December 2021:

- No additional revenue resources are available to finance new borrowing
- A re-profiling of the existing capital programme would be undertaken to free up revenue resource to finance the new Feasibility Fund
- To create headroom in the existing programme to fund transformation and invest to save projects.

A robust and rigorous review was undertaken to re-profile the capital spending across financial years on all schemes in the capital programme based on a realistic assessment of expected project delivery/implementation timescales taking into account known risks. This review resulted in £56 million of spend in financial years 2021/22 and 2022/23 being re-profiled to 2023/24 and beyond. This resulted in revenue savings of £1.9 million (of which £0.5m is in 2022/23) over the medium term period to finance the Feasibility Fund. To ensure the Feasibility Fund is at a sufficient level an additional £2 million has been identified from the review of earmarked reserves to create a total Feasibility Fund of £2.5 million for 2022/23.

Figure 13.1: Capital Re-Profiling



13.6 A thorough review of the existing capital programme has been undertaken to identify headroom for re-direction of Council funding into decarbonisation initiatives, enabling transformation, invest to save opportunities and managing risk in the capital programme. The review consisted of four workshops, and subsequent follow up sessions with capital scheme managers and was led jointly by the Executive Director Growth & Regeneration and Finance. The outcome of the review identified sufficient headroom from existing Council funded schemes for the following investment:

- De-carbonisation Fund of £19 million for investment in the Council property estate and vehicle fleet to reduce the Council's carbon footprint. It is recognised further resource will be required for the Council to be fully carbon neutral and this fund will be utilised to leverage in further external investment to achieve this.
- Transformation and Invest to Save Fund of £30 million. This investment provides the fund for the Council to invest in its Digital Transformation programme, which is a key enabler to improving services to customers and being a more efficient organisation, and invest to save schemes to offset the pressures being faced on the Council's revenue budget. An example of the invest to save monies could be the acceleration of the conversion of street lights to LED scheme (£7m) which could deliver revenue savings over the medium term and contribute towards the Council's decarbonisation aims.
- Managing risk in the capital programme. The Council's capital programme includes a contingency to manage cost pressures that arise during the development of schemes as they progress through their lifecycle. A contingency is an important element of a capital programme the size and complexity the Council has, and it is considered best practice to hold a contingency for unexpected events. During recent years the contingency level has been used to finance cost pressures that have arisen. It is therefore proposed to increase the contingency to £10 million per annum to restore it to previous levels.

13.7 In accordance with the capital strategy governance process for managing schemes through their lifecycle these new schemes identified in paragraph 13.7 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.

13.8 The most significant investment schemes in the capital programme 2022/23 to 2031/32 are:

- Investment in the Council's housing stock through the Housing Revenue Account (HRA) (£1,3m)
- Highways and Traffic Infrastructure (£54.6m)
- Housing delivery programme delivered through Goram Homes (£45.3m)
- Temple Meads Development (£44.1m)
- Bristol Beacon (£39.8m)

13.9 The Council has been successful in its bid for resources from the City Region Sustainable Transport Settlement (CRSTS) from government. The CRSTS aims to drive growth and productivity through infrastructure investment, level-up services towards the standards of the best, and decarbonise transport, especially promoting modal shift from cars to public transport, walking and cycling. The grant from government for Bristol is £191 million and requires match funding from the Council of £38 million. The Council's contribution in the 2022-27 period is planned to come from resources arising from Clear Air Zone (CAZ), developer contributions and strategic transport funding in the capital programme.

13.10 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). The review identified two schemes previously funded by council resources (Cumberland Road Stabilisation Works and Youth Zones) that could legitimately be funded by strategic 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 of strategic CIL funding of £8 million for Cumberland Road Stabilisation and £3.6 million for Youth Zone. The total amount of strategic CIL in the programme 2022-32 is £32 million, including £12.1 million in the Areas for Growth and Regeneration (GR07) scheme for which an illustrative list of schemes has been identified and is shown in Appendix 2. However, these illustrative schemes will require a mandate and business case to be developed before they enter the capital programme.

HRA Capital Programme

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

Table 13.1 – HRA Capital Budget Summary and Comparison to 2021/22

21/22 P8 £m	Housing Revenue Account DRAFT Capital Programme	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m	2027 to 2032 £m	TOTAL £m
33.300	Housing Investment Programme	53.473	80.751	75.447	66.684	62.394	245.200	583.949
18.954	New Build & Land Enabling	68.657	113.110	89.132	42.472	31.000	410.158	754.529

0.358	HRA Infrastructure & Disposal Costs	0.550	0.569	0.581	0.593	0.605	3.210	6.107
52.612	**GROSS HRA Capital Programme**	**122.681**	**194.430**	**165.160**	**109.749**	**93.999**	**658.568**	**1344.585**
	Capital Financing							
24.180	Capital Receipts & Grant Funding	56.424	15.181	20.225	6.752	5.218	144.000	247.800
28.432	Revenue and Reserves	62.796	71.882	33.061	33.968	34.723	190.729	427.156
0	Prudential Borrowing	3.461	107.367	111.874	69.029	54.058	323.839	669.629
0	**NET HRA Capital Programme**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

13.12 The HRA development programme (2022/23 to 2026/27) aims to deliver 1,720 council homes, requiring £344.4 million investment. This rolling programme will see:

- Approximately 685 new homes delivered by 2,024 (including the 49 developed in 2021/22)
- A further 1,084 are anticipated to 2027.

13.13 The 2022/23 capital programme will be financed by a combination of contributions from major repairs and revenue reserves, capital receipts unapplied, external income (Homes England grant, income from sale of shared ownership and pooled Right to Buy receipts) and prudential borrowing.

13.14 Capital receipts are from the sale of council homes under the Right to Buy (RTB) to sitting tenants at a discount. Sales for 2022/23 are forecast to be 130, with an average sale price after discount of £103,000. The receipts will be reinvested to build new council homes, enabling a greater percentage to be retained.

General Fund Capital Programme

13.15 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.

13.16 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.

13.17 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.

13.18 The table and graphs below summarise our current capital spending plans for the next ten years that total £1,906 million. The detailed draft programme and its financing are set out in Appendix 2.

Table 13.2 – Capital Programme Summary

21/22 £m	Description	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 to 30/31 £m	Total £m
18.401	People	24.066	12.184	5.893	0.000	0.000	**42.143**
121.012	Growth & Regeneration	125.824	116.634	68.619	30.298	22.907	**364.282**
6.086	Resources	9.793	5.094	2.500	2.500	2.000	**21.887**
1.342	Corporate	10.624	10.000	10.000	10.000	6.000	**46.624**
0.395	Pending Schemes	16.250	21.810	20.485	17.420	10.600	**86.565**
52.612	Housing Revenue Account	122.681	194.429	165.160	109.749	752.566	**1,344.585**
199.848	**Total**	**309.238**	**360.151**	**272.657**	**169.967**	**794.073**	**1,906.086**
	Financed by:						
54.923	Prudential Borrowing	53.808	38.516	27.368	21.863	18.805	**160.360**
36.931	Grant	55.096	31.118	18.858	5.011	3.500	**113.583**
24.134	Capital Receipts (GF)	29.253	56.339	28.440	17.694	6.000	**137.726**
11.741	Developer Contributions	10.599	5.997	7.580	5.400	4.430	**34.006**
2.609	Revenue/Reserves (GF)	0.968	0.000	0.500	1.000	0.000	**2.468**
16.898	WECA/Economic Development Fund	36.833	33.752	24.751	9.250	8.772	**113.358**
52.612	Housing Revenue Account	122.681	194.429	165.160	109.749	752.566	**1,344.585**
199.848	**Total**	**309.238**	**360.151**	**272.657**	**169.967**	**794.073**	**1,906.086**

Figure 13.2: Analysis of the Capital Programme by Investment Principle

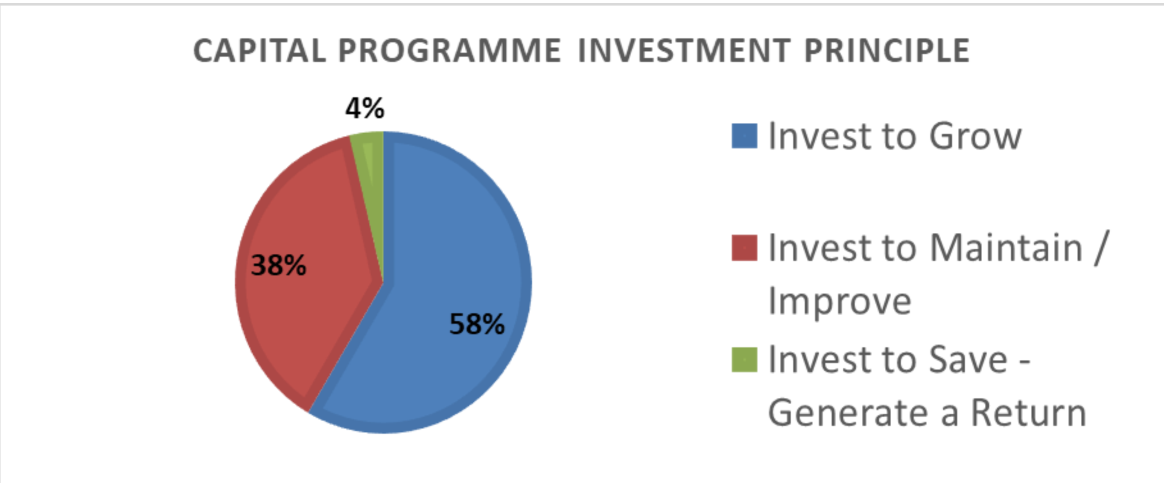
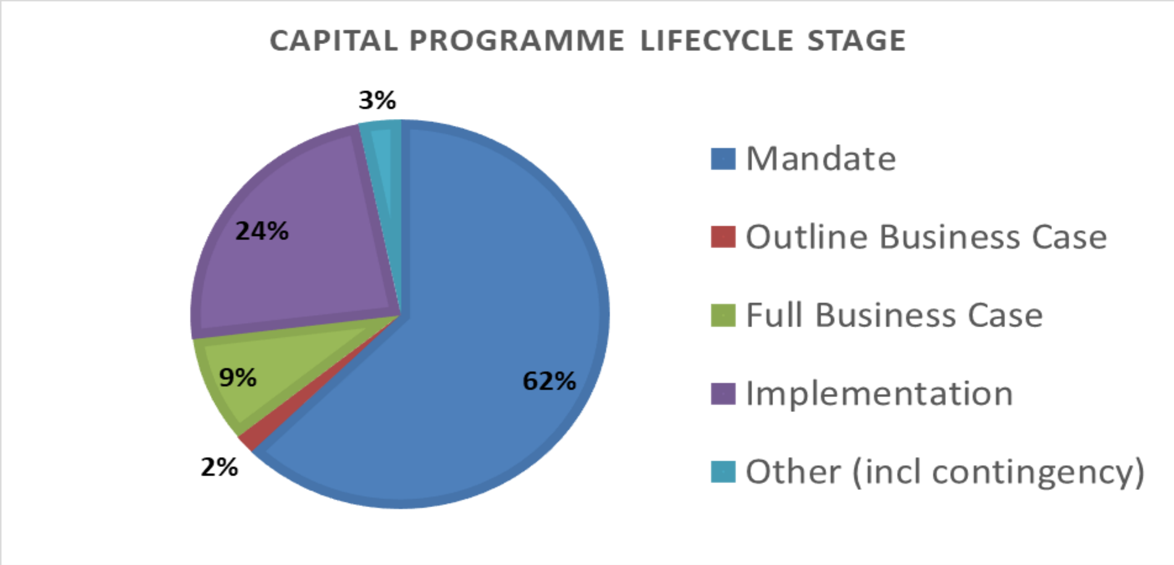


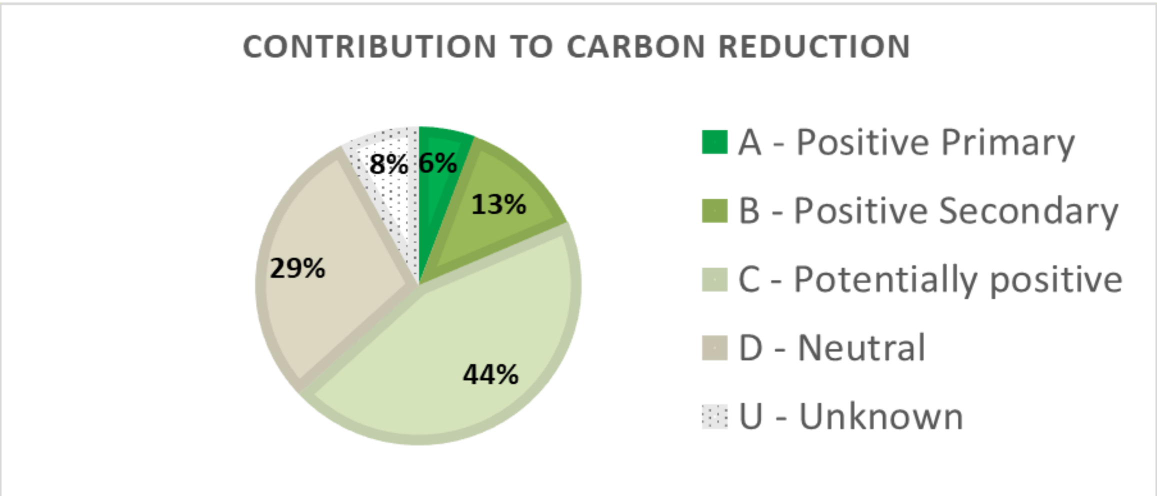
Figure 13.3: Analysis of the Capital Programme by project lifecycle stage



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

The analysis shows that 63% of the capital programme, by cost of scheme, is making a positive contribution towards carbon reduction. The 63% is broken down as schemes where the primary objective has a positive carbon impact (6%), schemes where the key objective is service delivery but has a positive carbon impact as a secondary objective (13%) and schemes where the primary objectives is service delivery but also have a potentially positive carbon impact (44%). 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 13.4: Contribution to Carbon Reduction



14 Treasury Management Strategy

14.1 The Council's Treasury Management Strategy, Minimum Revenue Provision Policy, Investment Strategy and Prudential Indicators are set out in Appendix 4. The Treasury Management Strategy incorporates the Council's new Ethical & Equitable Investment Policy approved by Cabinet on 18 January 2022.

15 Reserves and Balances

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

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

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

General Reserve

15.4 The purpose of the Council’s General Reserve will be to meet costs arising from any unplanned or emergency events such as unforeseen financial liabilities or natural disasters. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to ‘smooth’ expenditure on a one-off basis across years.

15.5 Our General Reserve Policy is that an unallocated general reserve will be retained of at least 5-6% of the net revenue budget, however as approved in the MTFP, given the uncertain financial climate, sensitivity and risks in the financial plan, it is planned that if required this reserve will on a temporary basis be up to 10% of the net revenue budget and released to either earmarked reserve or revenue as greater certainty is achieved over the period of the MTFP.

15.6 The balance of the General Fund Reserve at 31 March 2022 is anticipated to be £35.7 million (8% of net revenue budget). The will reduced as of 1 April 2022 to £32.5 million (7.6%)

Earmarked Reserves

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

15.8 The opening balance in earmarked reserves on 1 April 2021 was £246.6 million. Drawdown in 2021/22 is expected to be £132.6 million, this is predominantly due to draw down related to Covid-19 grants received in the previous year related to this year's spend and accounting treatment of Covid-19 business grants.

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

Table 15.1 – summary of budgeted movement in reserves

Reserve Type	Opening Balance 01.04.2021 £m	Net Movement £m	Closing Balance at 31.03.2022 £m	Forecast Movement £m	Closing Balance at 31.03.2023 £m
Statutory/Ring-	(41.589)	19.606	(21.983)	0.100	(21.883)

Fenced					
Capital Investment	(38.572)	11.125	(27.447)	(4.076)	(31.523)
Financing	(3.928)	1.102	(2.826)	(0.327)	(3.153)
Risk and Legal	(106.955)	82.775	(24.180)	6.759	(17.421)
Service	(55.603)	36.772	(18.831)	7.013	(11.818)
Earmarked Reserve Total	**(246.648)**	**151.380**	**(95.267)**	**9.469**	**(85.798)**
General Reserves	**(35.666)**	0.000	**(35.666)**	3.175	**(32.491)**

Table 15.2 – description of Reserve Types

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

15.10 In accordance with the policy on reserves, all forecasted balances to 31 March 2022 have been reviewed for their continuing need, alignment with Council priorities and a risk assessment considering internal and external factors has been undertaken. The following reserves have been reviewed and no longer required as related projects have been completed without utilising these funds and have been released for redirection to other priorities within the budget.

Table 15.3 – current Earmarked Reserves identified to be redirected

Name	Amount £m
Goram Homes Investment	1.700
Waste Contract Payment Mechanism	1.500
Housing Support	0.400
Planning	0.085
Public toilets	0.053
Adult Social Care Innovation Fund	1.500

Counter Fraud Hub Development	0.087
Operational Reserve – Resources	0.500
Total Released	**5.825**

15.11 As outlined in the MTFP new reserves have been identified as necessary to meet the strategic aims of the Council which have been revised within the funding envelope available.

Table 15.4 – new Reserves to be established and source of funding

Name	Amount £m
Capital Programme Feasibility Fund (Revenue)	2.000
Transformation / Change Projects (Delivery & Capacity Reserve)	3.000
Property Asset Management Plan	0.500
Project Management Office	0.400
Education Transformation Support for SEND	0.500
New Priority Investments (such as City Leap implementation)	2.000
General Reserve	0.825
Capital Investment	4.076
Total	**13.301**
Financed by:	
Release of reserves (as per table above)	5.825
MRP clawback	4.076
New Homes Bonus	3.400
Total New Reserves	**13.301**

15.12 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. For 2022/23, due to the timing of when the funding will be required, the following reserve has been identified to be drawn down if required – any use of this would need plans to re-establish before being required.

Table 15.5 – reserves to be redirected during the year if required if required

Reserve	Amount £m
Flood Strategy	10.000

15.13 The levels of General and Earmarked reserves recommended in this report for the financial year 2022/23 are believed to be sufficient to meet all the Council's obligations and have been based on a detailed risk assessment. The reserve limits will be reviewed on an annual basis against prevailing risk assessments which consider both internal and external factors.

16 Financial Health Indicators

16.1 In setting the budget for 2022/23 the Council has been reflective of the outcomes of the CIPFA Financial Resilience Index and other financial benchmarking. In the MTFP the following areas were identified as particularly pertinent:

- Adult Social Care ratio;
- Level of Reserves; and
- Gross External Debt.

16.2 The highest area of risk to the financial resilience of the Council is the proportion of budget spent on adult social care services as this is seen as an inflexible cost which is difficult to reduce over short term and impacts on the Council's ability to respond with agility to changing demands. The level of increased investment in adult social care set out in the budget increases this risk and will need addressing over the medium term to manage this.

16.3 Similarly the planned use of reserves in the 2022/23 budget reduces the resilience of the Council to respond to unexpected shocks and whilst the current levels are sufficient to manage the current level of risk, increasing these over the medium term would increase the resilience of the Council to respond to shocks.

17 Risk Management and Financial Assurance Statement

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. The Council has a statutory duty to have regard to the Chief Finance Officer's report when making decisions about the calculations.

17.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code reinforces this requirement stating that the statement in relation to the proposed financial reserves should consider whether the level of general reserves are appropriate for the risks (both internal and external) to which the Council is exposed and give reassurance that the authority's financial management processes and procedures are able to manage those risks.

17.3 While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability.

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

- Is performance against the current year's budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans?

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

17.5 Responses to the above are outlined in section 17.21 below. In addition, sensitivity analysis has been carried out in relation to the major assumptions used within the budget to ascertain the levels of potential financial risk in the assumptions being used.

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

General Fund revenue

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 17.1 – sensitivity analysis of key budget assumptions

Description	£m
Income	
Change in Council Tax Collection Rates by 1%	5.0
Change in Business Rates Collection by 1%	2.3
Change in Council Tax Growth by 1%	2.5
Changes in Government Funding Settlement by 5%	6.1
Expenditure	
Change in Pay Award by 1%	1.9
Change in General Contract Inflation by 1%	1.9

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

DSG deficit

17.7 The challenges in the SEND system within Bristol are significant. Demand to meet SEND requirements continues to increase at a faster rate than change can be implemented. Delivering statutory duties within the allocated budget from the Department for Education is not considered viable or sustainable and the DSG Deficit management Plan (DMP) will only reduce the deficit, and not resolve it.

17.8 Fundamental transformation is needed within the SEND system to deliver the scale of change required. The DSG DMP, which is being developed, does not currently lead to full financial recovery against the in-year or cumulative overspend. The Council could make meaningful inroads to the overspend alongside addressing increasing demand, adhering to statutory duties however given the scale of the financial challenge this will likely fall short of closing the annual gap over the five year period, meaning cumulative deficits being carried forward into future years unless alternative funding is received.

17.9 DfE conditions of grant includes a statutory requirement that DSG reserves in deficit cannot be funded from the general fund without explicit permission from the Secretary of State, and as such permits LAs to continue to carry deficits forward from year to year. The Ministry of Housing Communities and Local Government (MHCLG now DLUHC) laid before Parliament a Statutory Instrument (SI) establishing new accounting practices in relation to the treatment of local authorities' DSG budget deficits to facilitate this arrangement for a period of 3 years, which expires March 2023. There is no statutory undertaking to underwrite this deficit and currently no arrangements in place to extend the SI beyond 2022/23

17.10 To comply with DfE guidance, the accounting code under which we will operate, on the expiry of the SI and the CIPFA FM Code, whilst not earmarking funds, means the Council will need to have in place a positive reserve equal and opposite to the negative DSG reserve until such time as a permanent resolution is in place for the deficit. The current level of general reserves as of 1 April 2022 will be £32.5 million and the level of the deficit now being forecast for April 2022 is £26.7 million and forecast to April 2023 is £40.3 million.

17.11 The Council's reserve policy identifies a further earmarked reserve of £10 million which, in the absence of Government implementing a sustainable, systemic resolution of the fundamental problems with the legislation, policy framework and funding to deliver it, could be temporarily redirected to general reserve and subsequently replenished.

17.12 We will continue to work with government departments and other stakeholders on the DSG Management Plan and mitigations and solutions to this pressing issue, whilst simultaneously keeping the level of Council general reserves under close review during 2022/23.

Capital

- Delays in the delivery of the Capital Programme.
- Potential risk of overspends on major capital projects due to delays and/or impact of global material, labour shortages and supply chain issues.
- Risk of achievement of income targets on major capital investment projects, in particular those funded from prudential borrowing where there is a known additional MRP and interest cost or anticipated surpluses have been underwritten.

Investment

- Impact from Bristol Holding and its related companies' expansion into new trading areas. This includes Bristol Heat Network which could be impacted by the current volatility in gas and electricity market prices which have been widely publicised. Overruns or overspends in capital investment and delays to the timing of customer connections could potentially have a material impact on the company's financial performance.
- Failure of Bristol Holding and its related companies to deliver growth and profit targets in line with agreed business plans.
- Risk that non treasury Impact Investments do not achieve the desired outcomes and that the investment may not necessarily be returned to the Council.

General

- Collection fund balances and collection of Council Tax, Business Rates and impact of appeals.
- Risk of exposure of any major legal claims against the Council.
- Reserve levels "resilience" to future financial pressures.

17.13 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.

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

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

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

17.17 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.

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

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

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

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

- General Fund un-earmarked reserve of £32.5 million on 1 April 2022 (7.6% of net baseline revenue budget of £425m) and a financial risk resilience reserve totalling £6 million as at 1 April 2022, which when combined equals 9.1% of the 2022/23 net revenue budget.
- Earmarked reserves totalling £95.3 million on 1 April 2022 (excluding, HRA and school balances), which in an emergency can be utilised on a short-term temporary basis, provided the funding is replaced in future year. In a worst case scenario the combined earmark and general reserve represent 30% of the 2022/23 net revenue budget.

17.21 In the context of the above, the Chief Finance Officer considers the proposed budget for 2022/23 is robust and that the level of reserves is adequate, given a clear understanding by members and senior management of the following:

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

- To prevent the realising of operational earmarked reserves, directorates are required to have in place a clear plan for the draw down of the reserves in line with the profile.
- Effective governance arrangements at a service and corporate level, to monitor the overall delivery of the 2022/23 budget, plus regular finance monitoring reports to Cabinet and Scrutiny Commissions.
- Organisation wide buy-in and strong leadership support to deliver a robust DSG Deficit recovery plan, which can place the High Needs budget on a sustainable footing.
- There is a clear understanding of the duties of the Council's statutory finance officer and that the service implications of them being exercised are fully understood.

Table 17.2 – assessment of robustness of any estimates

Area	Y/N	Response
Is performance against the current year's budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans?	N / Y	Covid-19 has had a significant impact, increasing the demand for many council services, particularly social care, homelessness and welfare support and coupled with a loss of income has led to higher than budget assumptions across the council. The uncertainty and volatility have made in year mitigation plans a challenge for some service areas. Detailed monitoring and report have ensued, and ongoing or unavoidable pressures have been considered by EDM's CLB Scrutiny and members and are included in the plan.
Are arrangements for monitoring and reporting performance against the savings plans robust?	Y	Monthly Budget Monitoring, including Savings tracker. Governance via EDM, CLB, Delivery Executive, Cabinet and Scrutiny Commissions.
The reasonableness of the underlying budget assumptions	Y	The major assumptions used in the budget calculation have been examined, where practical benchmarked, associated risks assessed, and impact of sensitivity assessment reported in Table 17.1
The alignment of resources with the Council's service and organisational priorities	Y	The corporate strategy has been refreshed and service planning exercise undertaken for 2022/23 budget has aligned plans and available resources to the corporate strategy priorities.
A review of the major risks associated with the budget	Y	The Council and its subsidiary companies corporate and other risk have been reviewed, likelihood and impact assessed.
The availability of un-earmarked reserves to meet unforeseen cost pressures	Y	Unallocated general reserve is currently above the minimum policy level of 5-6% net revenue budget; to reflect the medium term risk exposure; however should this be insufficient; as a short-term emergency measure longer term earmarked reserve have been identified that could be temporarily redirected and replenished.
Have realistic income targets been set and 'at risk' external funding	Y	The income aspects of the overall budget are

been identified?		calculated based on previous and current trends, taking into account known external factors and external funding changes extrapolated over the medium term. The one off and core revenue estimates including demand pressures and anticipated income lead to the calculation of the council tax requirement and the setting of the overall budget and council tax.
Has a reasonable estimate of demand cost pressures been made?	Y	
Have one-off cost pressures been identified?	Y	Yes see above. In addition, risks and pressures are identified, provisions made where evidence and or mitigating opportunities explored.
Has a reasonable estimate of future income been made?	Y	Yes, for income streams material to the council's financial position, subject to significant volatility and a small change could have a material impact. E.g. Business rates and council tax. Trends have been obtained, analysed and extrapolated based on a range of, scenarios, realistic scenario determined, and sensitivity tested.
Are arrangements for monitoring and reporting performance against the budget and savings plans robust?	Y / N	A detailed review of social care related and other savings which were not delivered in 2021/22 and the impact for 2022/23 has been carried out, where necessary revisions have been made to the approach and additional delivery capacity to support the transformation programmes. Arrangements for monitoring revenue are robust to enable early corrective action to be taken. The governance and monitoring of the delivery of the schemes in the capital programme have been revised as outlined in the Capital Strategy and feasibility fund established for proposition at early development stage prior to full entry to the capital programme.
Is there a reasonable contingency available to cover the financial risks faced by the council?	Y	Risk reserves are outlined in Sections 15 & 17, in addition a rolling capital contingency is established to reflect the major project risks and small revenue contingency set aside for non-delivery of savings which are in their infancy, requiring further due diligence or subject to consultation.
Is there a reasonable level of reserves, which could be used to mitigate any issues arising and are they reducing as the risks decrease?	Y	The adequacy of the level of reserves is fully assessed and set annually. It is reviewed periodically throughout the course of the year to check appropriate direction or release where no longer required or increased as necessary. Request for new reserves ae outlined in the budget report.
The strength of the financial management function and reporting arrangements?	Y / N	The Council is making good progress on the implementation of the principles outlined in the FM Code. Key elements of the Code are a long-term approach to financial planning (which has been hampered by the short-term nature and uncertainty of funding) and sound governance throughout the

		organisation. The Annual Governance statement and audits have identified some areas such as greater transparency in public reporting and business case financial modelling which we will continue to strengthen.
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	Y	There has been widespread and practical engagement throughout the budget development and construction process with senior colleagues, Executive, Councillors, Mayor and Scrutiny MTFP task and Budget Task and finish group.

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 to December 2021. The Resources Scrutiny commission considered the budget proposals at 25 January 2022 and 1 February 2022 meetings.

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 2022/23 budget was open for six weeks from 5 November 2021 until 17 December 2021. The consultation sought views about alternative options for the level of Council Tax increase and Social Care Precept in 2022/23, before decisions on the 2022/23 budget are made by Full Council in February 2022.

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 consulted separately on the HRA, which ran from the 20 October to 3 December 2021. The aim of the consultation was to seek the views of residents across the city regarding their priorities for investment and how they should be paid for. The results informed the development of a 30 year business plan for the Housing Revenue Account. A full report can be found here: HRA consultation paper

18.7 The Council consulted separately with schools and the Schools Forum in relation to the DSG budget. A full report can be found here: Bristol Schools Forum

Consultation principles for new proposals

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

18.9 Principles:

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

19 Other options considered

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

20 Public sector equality duties

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

20.2 This report sets out the Mayor's budget proposals for Full Council to set the budget. Some proposals will need further development to make a specific decision. The process for this is set out in the section on consultation on new proposals (Para 18.9). For these proposals an Equalities Impact Assessment will be undertaken to inform Cabinet when making that decision.