



PURPOSE: For noting

MEETING: Cabinet

DATE: 12 July 2022

TITLE	Financial Outlook Update		
Ward(s)	All		
Author: Michael Pilcher	Job title: Chief Accountant		
Cabinet lead: Craig Cheney	Statutory Officer lead: Denise Murray		
Proposal origin: BCC Staff			
Decision maker: For noting			
Decision forum: For noting			
Purpose of Report:			
<p>1. This report provides a medium term financial outlook for the Council and highlights the significant risks, issues and uncertainties with regards to the Current budget assumptions contained within the Medium Term Financial Plan (MTFP) and Capital Strategy and sets out the budget strategy for the coming year.</p>			
Evidence Base:			
<p>1. The rolling MTFP and Capital Strategy are key parts of the Council’s Policy and Budget Framework and financial planning process, sets out the Council’s strategic approach to the management of its finances and provide a framework within which delivery of the Council’s priorities will be progressed. They are refreshed annually to ensure they remain relevant and accurate and presented to Council in the Autumn for approval. Good practice recommends that the financial planning assumptions should be kept under constant review, given the increased level of uncertainty in the financial and economic climate and where material variations are evident an earlier financial outlook should be provided for members.</p> <p>2. The medium term financial outlook is reviewed regularly to be responsive to changing context including national factors, local priorities, and conditions, takes account of emerging pressures, risks, and opportunities to the Council’s financial position. It provides a forecast outlook to aid timely robust and methodical planning and allows us to identify and respond to issues early. It also seeks to protect the financial health of the Council, considering the appropriate level of reserves that the Council holds to mitigate current and longer-term risks and ensure sustainable services.</p> <p>3. It must be recognised that the economic climate is uncertain, and it remains extremely difficult to make a full, definitive and comprehensive assessment of the ongoing financial impact on the Council. As such, the figures in this report are based upon best estimates and forecasts and will therefore be subject to change. However, the significance of the financial challenge cannot be underestimated and over time, the Council will need to develop a response that continues to maintain a commitment to strong financial resilience and sustainability.</p> <p>4. The medium term outlook encompasses the following:</p> <ul style="list-style-type: none"> • New Legislative and Policy Change 			

- Recommendations for Cabinet to note
 - Additional inflationary pressures
 - Changes in business rates and Council Tax funding
5. The medium term financial outlook was last fully reviewed and approved by Council in March 2022 as part of the annual budget setting cycle. Budgets were balanced over the medium term with the following fundamental assumptions
- Net planned savings of £28.7 million are delivered on a permanent / recurrent basis
 - Emerging pressures are managed within directorate cash limited budgets as set by Council.
6. Since March 2022 there has been changes in the external context in particular the increasing levels of inflation and cost of living crisis, that further exacerbates the challenges being experienced from the fundamental assumptions above. As a result, the Council’s financial position has deteriorated, in 2022/23 and trend is anticipated to impact across the medium term.
7. This roll forward includes an update of estimates of assumptions and the potential recurrent impact of the 2022/23 financial position. At this stage, the figures do not include any savings or mitigations. Future work to identify additional mitigations /savings will be undertaken in the coming months.
- The background to this analysis is the risk of £15.2 million forecast overspend for 2022/23, which needs to also be considering in context the forecast deficit on the Dedicated Schools Grant of £40.3 million against a general reserve of £36.9 million. If in-year and recurrent mitigating actions aren’t able to be implemented leaves a significant risk to the ability to set a balanced budget for 2023/24.
 - The refreshed outlook indicates a potential further £10.0 million of additional cost pressures between 2023/24 – 2027/28 above the £98.0 million already assumed within the outlook agreed by Council in March 2022. This is above any in-year pressures which can’t be mitigated on a recurrent basis.
 - There are anticipated increases in available funding of £10.3 million on top of the £27 million assumed in the budget from increases in Council Tax and Business rates.
 - This results in a net increase in resource of £0.3 million per year by 2027/28 however adding a level of recurrent pressures currently being forecast for 2022/23 will result in a likely gap of £6.5 million in 2027/28 with the peak budget gap is anticipated in 2023/24 of £13.6 million.
8. The financial outlook above does not constitute a formal budget or financial framework but provides an early indication of the challenges ahead and need for strong financial management and early action within the financial planning cycle to prevent this position from being realised. A full Medium-Term Financial Plan and Capital Strategy will be presented to Council in the Autumn setting out the financial strategy to manage the Council’s financial resources, and ensure we continue to balance the 2023/24 budget.

Cabinet Member / Officer Recommendations:

That Cabinet notes

1. the updated financial outlook showing a potential deficit of each year over the next five years.
2. the timeline for developing and approving the Medium Term Financial Plan, Capital Strategy and 2023/24 Budget.
3. Note the three-year Government settlement was prior to the high inflation rates and consider whether there is any merit in raising the awareness with Government of the additional pressure and requirement for growth for the final 2 years.

Corporate Strategy alignment:

1. Regularly reviewing and updating the financial outlook supports effective planning and ensuring action can be taken early with sufficient time to understand the full implications of decisions and ensure plans to mitigate financial pressures are done in alignment with the Corporate Strategy.

City Benefits:

1. The Corporate Strategy is the Council's main strategic document and sets out the Council's contribution to the city as part of the One City Plan. The development of the financial framework represents the next stage in the process of the Council's strategic financial planning process and enables the resource to be aligned in achieving the priorities within the strategy.

Consultation Details:

1. The budget task and finish group as part of Resources scrutiny have been briefed on the updates to the outlook.
2. In line with standard practice formal consultation on the Budget propositions and Council Tax will take place later in the year as outlined in the report.

Background Documents:
<https://www.bristol.gov.uk/council-spending-performance/council-budgets>

Revenue Cost	£-	Source of Revenue Funding	-
Capital Cost	£-	Source of Capital Funding	-
One off cost <input type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice: The financial implications are set out in Appendix A for the period 2023/24 to 2027/87

Finance Business Partner: Michael Pilcher, Chief Accountant 01/07/2022

2. Legal Advice: The Report references the Council's duty to set a balanced budget, and assists Cabinet Members to understand the emerging issues that need to be addressed in order to comply with this duty. There are no specific legal implications.

Legal Team Leader: Nancy Rollason, Head of Legal Service 01/07/2022

3. Implications on IT: n/a

IT Team Leader:

4. HR Advice: HR will continue to support leaders in their delivery of agreed staff-related savings, and to assist in the development and delivery of further such savings as required.

HR Partner: James Brereton (Head of Human Resources), 3rd July 2022

EDM Sign-off	Mike Jackson	4 July 2022
Cabinet Member sign-off	Cllr Craig Cheney	4 July 2022
For Key Decisions - Mayor's Office sign-off	n/a	n/a

Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	NO
Appendix E – Equalities screening / impact assessment of proposal	NO

Appendix F – <u>Eco-impact screening/ impact assessment of proposal</u>	NO
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – Exempt Information	NO
Appendix J – HR advice	NO
Appendix K – ICT	NO
Appendix L – Procurement	NO