

## Bristol City Council - Finance Exception Report Period 3

### 1. HIGH LEVEL SUMMARY FINANCIAL POSITION

- 1.1. In order to provide greater capacity for in depth deep dive reviews the Council has revised its financial reporting to Cabinet from 2022/23 to detailed quarterly reports and periodic exception reports. This report covers Period 3 (June 2022 extrapolated) and is an exception report on any significant financial issues for the Council and movements following the Quarter 1 (P2 extrapolated) report to July Cabinet. It is not a full financial forecast for each division and no significant variances have been identified or accelerated by budget holders beyond the issues highlighted. The in-depth Quarter 2 report for 2022/23 is scheduled to be reported to the October 2022 Cabinet meeting.

### 2. GENERAL FUND REVENUE POSITION

- 2.1. The Council operates Directorate cash limited budgets and Executive Directors are responsible for ensuring that appropriate action is taken to contain both revenue and capital spending in line with each directorate's overall budget limit. Budget holders forecasting a risk of overspend, which can potentially be brought back in line with their budget, should in the first instance set out in-service options for mitigation. Where these are considered undeliverable, or pressures cannot be contained across the directorate the budget scrutiny process will be triggered and a request may be made for the Executive to consider granting a supplementary estimate redirecting funds from an alternative source.
- 2.2. The assessment at period 3 is that the Council's scheduled General Fund is currently forecasting a risk adjusted overspend of £13.2m 3.1% (£15.2m 3.5% Q1) on the approved gross budget of £431.1m. Material service pressures and risks are attributed to Adults and Children Social Care, Education Improvement, Digital transformation, Homelessness Temporary Accommodation and Savings delivery.
- 2.3. This represents £2.0m net movement against Q1. The gross expenditure reported has increased by £1.8m, largely due to additional adult purchasing cost across all cohorts of need and offset against £3.8m representing a range of improved savings delivery, grant income forecast and planned recovery activity within services with emerging pressures and forecasting a risk of overspend.
- 2.4. Further recovery action is in the process of being explored to mitigate the risks forecast. These are still in their infancy and whilst summarised in the table below are not yet sufficiently developed for inclusion in the forecast. Once finalised, relevant details will be provided in the detailed Q2 report.

2.5. The summarised position is outlined in Table 1 below.

<b>P3 Exception Summary</b>								
P3 Exception Summary	Revised Budget	Total Q1 Potential variance incl risk	Q1 Variance as % Net Budget	P3 Exceptions	Management Mitigations	Revised P3 Potential variance incl risk	P3 Variance as % Net Budget	Further Management Mitigations Explored
	£000s	£000s	%	£000s	£000s	£000s	%	
Total People	261,807	14,503	5.6%	1,840	(2,031)	14,312	5.5%	(4,378)
Total Resources	43,898	3,859	8.8%	0	(629)	3,230	7.4%	(1,428)
Total Growth & Regeneration	64,185	3,820	6.1%	0	(1,209)	2,611	4.1%	(565)
<b>SERVICE NET EXPENDITURE</b>	<b>368,531</b>	<b>22,182</b>	<b>6.0%</b>	<b>1,840</b>	<b>(3,869)</b>	<b>20,153</b>	<b>5.5%</b>	<b>(6,371)</b>
Total Corporate Items	(368,531)	(6,968)	1.9%			(6,968)	1.9%	
<b>TOTAL REVENUE NET EXPENDITURE</b>	<b>(0)</b>	<b>15,214</b>	<b>3.5%</b>	<b>1,840</b>	<b>(3,869)</b>	<b>13,185</b>	<b>3.1%</b>	<b>(6,371)</b>

## 2.6. People Directorate:

2.6.1. The People Directorate reported a £14.5m overspend at Q1. As at Period 3 the forecast pressure is anticipated to be in the region of £16.3m. Adult Social Care (ASC) budgets continue to experience significant pressure in 2022/23 with a risk of a forecast overspend of £6.6m at Period 3 on a budget of £169.8m, (compared to £4.7m at Q1 representing an adverse forecast movement of £1.8m). The main areas relate to adults of working age budgets in all areas of the service provision for this cohort. Residential and nursing budgets for people over 65 years old are also at risk. This risk is partly offset by forecast underspends on employee costs and higher than expected levels of service user income.

2.6.2. The key variances are as shown in Table 2 below:

Financial Year 2022/23	Revised Budget 2022/23 £'000s	2022/23 Projection @ P03 £'000s	Projection Variance @ P03 £'000s	Change from P02 £'000s
<b>Adult Purchasing</b>				
Older Adults 65+	72,744	75,181	2,437	853
Working Age Adults 18 - 64	84,953	89,211	4,258	1,299
Preparing for Adulthood 0 - 25	8,710	10,693	1,982	620
Social Care Support	2,660	2,791	132	13
Income - Service User Contribution Only	-25,580	-26,398	-819	-587
	<b>143,488</b>	<b>151,478</b>	<b>7,990</b>	<b>2,198</b>
<b>Non Adult Purchasing</b>				
Employees	35,960	34,031	-1,930	260
Other - Net Costs	-9,626	-9,117	509	-618
	<b>26,335</b>	<b>24,913</b>	<b>-1,421</b>	<b>-358</b>
<b>Totals per budget report</b>	<b>169,823</b>	<b>176,392</b>	<b>6,569</b>	<b>1,840</b>

2.6.3. Budget containment measures and recovery actions to mitigate service areas at risk of overspending are being actively worked on to improve the forecast position. Mitigating actions currently identified total £2.0m. Progress is being made in relation to the adult transformation programme and further opportunities which if adopted would significantly improve the Directorate's financial position resulting in a forecast overspend of £9.9m. Additional areas will need to be explored to meet service needs in a sustainable way within cash limited budgets.

## 2.7. Resources:

2.7.1. The Resources Directorate reported a £3.8m overspend at Q1. As at Period 3 there is no change to the forecast pressure. However, mitigating actions currently identified totalling £0.6m and further opportunities totalling £1.4m if adopted would significantly improve the Directorate’s financial position to £1.8m forecast overspend.

**2.8. Growth and Regeneration:**

2.8.1. The Growth & Regeneration Directorate reported a £3.8m overspend at Q1. As at P3 there is no change to the forecast pressure, however, energy cost implications are still being modelled and are likely to increase the pressure on the General fund as well as HRA and Schools. Mitigating actions currently identified total £1.2m and further opportunities if adopted would significantly improve the Directorate’s financial position resulting in a forecast overspend of £2.1m.

**3. SAVINGS PROGRAMME – SUMMARY**

**Table 3**

Directorate	2022/23 Savings £m	2022/23 Savings reported as safe	2022/23 Savings reported as at risk	
			£m	%
People	10.7	7.4	3.3	30
Resources & Cross-Cutting	6.7	2.8	3.9	58
Growth and Regeneration	7.0	3.7	3.3	47
<b>Total</b>	<b>24.4</b>	<b>13.9</b>	<b>10.5</b>	<b>43</b>

- 3.1. The savings programme agreed by Council in 2022 included savings totalling £18m. This, combined with £6.4m of savings carried forward from prior years still requiring delivery, brings the total savings delivery target for 2022/23 to £24.4m (excluding at this stage any residual allowance for Optimism Bias held within the budget).
- 3.2. As at Period 3 £13.9m (57%) of savings are considered safe and £10.5m (43%) are reported at risk and are being monitored and reviewed for delivery or in-year mitigation where possible. This position represents an improvement since Q1 of £3.2m due mainly to the People Directorate where alternative delivery models and increased access to continuing Health Care funding has been reviewed and are confidently assessed.
- 3.3. A number of these savings’ delivery risks are captured in the forecast outturn above and or directorate risk and opportunities log, it should however be noted that not all risks are formally acknowledged in the outturn and as such this represents a small underlying additional risk.

## 4. RISKS AND OPPORTUNITIES

4.1. There are other financial risks and opportunities to the Council which have been identified and could materialise during the financial year. These are a combination of further costs, savings delivery, income generation, funding opportunities and Cost of Living pressures (such as inflation, energy and pay awards). These are being captured and monitored against the allowance which was made in the budget.

## 5. RING-FENCED BUDGETS

5.1. There are a number of funds held by the Council where the Council must ensure that the income or grant is ringfenced and only spent in specific service areas. The forecast outturns for these ringfenced budgets are summarised in the Table 4 below and extrapolated in subsequent sections of this report where material movement is noted.

**Table 4**

### RING FENCED BUDGETS

	Revised Budget	Forecast Outturn	Adjustments Post hard close	Revised Forecast Outturn
Housing Revenue Account	0	3,768	(1,968)	1,800
Public Health	(0)	0		0
Dedicated Schools Grant	(0)	18,073		18,073
<b>Total Ring fenced budgets</b>	<b>(0)</b>	<b>21,841</b>	<b>(1,968)</b>	<b>19,873</b>

### 5.2. Housing Revenue Account

5.2.1. The Housing Revenue Account (HRA) at the end of period 3 is reporting an overspend of £1.8m. This is an adverse movement of £0.6m compared to Q1 as shown in table below. The main reasons for the movement against budget are set out below.

**Table 5**

HOUSING REVENUE ACCOUNT	Revised Budget £M	Current Forecast £M	Outturn Variance £M	Prev Forecast £M	Previous Outturn Movement £M
Income	(128.0)	(127.6)	0.4	(127.5)	(0.1)
Repairs & Maintenance	37.2	35.9	(1.3)	35.6	0.3
Supervision & Management	32.0	32.6	0.6	32.4	0.2
Special Services	11.2	13.0	1.8	12.8	0.2
Rents, rates, taxes and other charges	1.0	1.2	0.3	1.2	0.0
Depreciation, Revenue Funded Capital, Interest Payable and Bad Debt Provision	46.7	46.7	0.0	46.7	0.0
<b>(Surplus) / Deficit on the HRA</b>	<b>0.0</b>	<b>1.8</b>	<b>1.8</b>	<b>1.2</b>	<b>0.6</b>

- 5.2.2. The Repairs & Maintenance service is running at (£1.3m) below budget as a result of difficulties in progressing some work programmes including the painting of low-rise blocks and relet repairs. This is as a result of capacity issues, not only with the internal workforce but also amongst external suppliers. This position has been compounded by Council delays in establishing the new Window Framework and as such this is now unlikely to be implemented before November 2022.
- 5.2.3. The Supervision and Management service is forecasting an adverse variance of £0.6m. This forecast includes £1.3m for the Housing IT Transformation Programme, with no budget allocation in 2022-23. In addition, and in line with legal requirements, the fire survey requires a waking watch at Barton Hill (4 blocks) which will cost £0.6m for which no budget provision was made. Unfilled vacancies have generated underspends to partially offset these additional costs.
- 5.2.4. The adverse variance of £1.8m in Special Services continues to reflect anticipated increases in energy charges. The impact of further increase in energy costs still being modelled and flagged as a risk at P3. The internal joinery recharge also increased during the month, contributing £0.2m to this service's projected overspend.

### 5.3. The Dedicated Schools Grant

- 5.3.1. At the close of Period 3 the Dedicated Schools Grant (DSG) is forecasting an overspend of £18.1m. This represents an adverse movement of £2.5m compared to Q1 as shown in table below. The key driver of this variance to budget due to overspend pressures in the High Needs top-up, which is driven by increase in need in mainstream schools at higher banding that have been record in latest trend.

**Table 6**

Summary DSG position 2022/23 Period 3 (P3)	b/f balance*	Net DSG funding/budget 2022/23	P3 2022/23 Forecast Outturn	In-year variance at P3	Cummulative c/f	Movements from P2
<b>£'000</b>						
Schools Block	0	82,903	82,903	0	0	0
De-delegation	(504)	0	0	0	(504)	(0)
Schools Central Block	8	2,742	2,742	0	8	0
Early Years	(472)	34,388	34,534	146	(327)	79
High Needs Block	26,359	63,010	80,197	17,187	43,546	2,374
HNB Transformation	(740)	1,531	2,271	740	0	0
Funding	0	(184,574)	(184,574)	0	0	0
<b>Total</b>	<b>24,650</b>	<b>0</b>	<b>18,073</b>	<b>18,073</b>	<b>42,723</b>	<b>2,453</b>
* it was agreed in the May 2022 School's Forum's meeting that the underspend in schools' block (£1.517m) will be used to offset the deficits in the High Needs block.						

## 6. CAPITAL SUMMARY

6.1. The Capital programme budget at Period 3 remains unchanged at £330.8m. This comprises £208.1m for General fund (including a corporate contingency of £14.1m) and £122.7m for the HRA. The forecast variation at Period 3 is a net £37.7m underspend (£3.5m underspend on General fund and £34.2m underspend on HRA). This is set out in the Table 7 below:

Table 7

Approved Budget (Mar 22)	Budget Changes upto P3	Directorate	Revised Budget	Actual Spend to date	Budget Spend to date %	Forecast Outturn	Variance
£m	£m		£m	£m		£m	£m
25.1	9.2	People	34.3	3.2	9%	31.4	(2.9)
7.9	1.6	Resources	9.5	0.2	2%	9.0	(0.5)
132.1	18.1	Growth and Regeneration	150.2	14.6	10%	150.1	(0.1)
<b>165.1</b>	<b>28.9</b>	<b>GF service Total</b>	<b>194.0</b>	<b>18.0</b>	<b>9%</b>	<b>190.5</b>	<b>(3.5)</b>
122.7	0.0	Housing Revenue Account	122.7	9.2	8%	88.5	(34.2)
<b>122.7</b>	<b>0.0</b>	<b>HRA service Total</b>	<b>122.7</b>	<b>9.2</b>	<b>8%</b>	<b>88.5</b>	<b>(34.2)</b>
<b>287.8</b>	<b>28.9</b>	<b>HRA &amp; GF Service Total</b>	<b>316.7</b>	<b>27.2</b>	<b>9%</b>	<b>279.0</b>	<b>(37.7)</b>
12.7	1.4	Corporate Contingencies & Funds	14.1	0.0	0%	14.1	0.0
<b>300.5</b>	<b>30.3</b>	<b>Capital Programme Grand Total</b>	<b>330.8</b>	<b>27.2</b>	<b>8%</b>	<b>293.1</b>	<b>(37.7)</b>

## 7. 2022/23 BUDGET CHANGES - INCLUSION OF NEW EXTERNAL FUNDING

7.1. Since the 2022/23 budget reports to full Council and Q1 Finance report to Cabinet there have been additional funding streams announced or awarded which require approval for incorporation into the Council's 2022/23 budget.

### 7.1.1. Transforming Care Partnership

As the nominated lead Local Authority within the Transforming Care Partnership (TCP) and the Integrated Care Services (ICS), Adult Social Care has signed a memorandum of understanding (MoU) on behalf of North Somerset and South Gloucestershire to receive a funding from the Department of Health and Social Care (DHSC) of £430,628 for 2022/23 financial year (compares with 2021/22 funding of £395,316).

The purpose of the Grant is to provide TCPs and ICSs with additional funding, to facilitate timely discharges into the community, to reduce the net number of people with learning disabilities and/or autism who are inpatients.