

Bristol City Council - Finance Exception Report Period 4 2022/23

1. HIGH LEVEL SUMMARY FINANCIAL POSITION

- 1.1.** This report relates to the Period 4 full year forecast for 2022/23 (July 2022 extrapolated). It is an exception report and as such is intended to focus on key financial issues for the Council including movements since Period 2/Quarter 1 as reported to July's Cabinet. It is not a full financial forecast for each division and no significant variances have been identified or accelerated by budget holders beyond those issues highlighted.
- 1.2.** The Period 5/Quarter 2 full year forecast report for 2022/23 will cover all directorate and divisional performance in-depth. It is scheduled to be reported to October's Cabinet.
- 1.3.** 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. GENERAL FUND REVENUE POSITION

- 2.1.** The assessment at Period 4 shows the Council's scheduled General Fund currently forecasting a risk adjusted overspend of £7.7m. This is a 1.8% adverse variance on the approved gross budget of £431.1m (previously £15.2m/3.5% at Q1, then £13.2m/3.1% at P3,). This represents a £7.5m net movement since Q1. At this time, material service pressures and risks are attributed to Adults and Children Social Care, Education Improvement, Digital transformation, Homelessness Temporary Accommodation and Savings delivery.
- 2.2.** A range of management actions to mitigate the pressures and risks projected commenced following the Q1 forecast for each of the primary areas where pressures were emerging. In addition, potential opportunities for funds to be held in abeyance or redirected are being explored. These mitigating actions currently amount to £10.1m as included in the summarised position in Table 1 below.

Table 1

P4 Exception Summary	Revised Budget	Total Q1 Potential variance incl risk	Q1 Variance as % Net Budget	P3 Exceptions	P4 Exceptions	Management Mitigations	Revised P4 Potential variance incl risk	P4 Variance as % Net Budget
	£000s	£000s	%	£000s	£000s	£000s	£000s	%
Total People	261,807	14,503	5.6%	1,840	728	(6,377)	10,694	4.1%
Total Resources	43,898	3,859	8.8%	0	0	(1,989)	1,870	4.3%
Total Growth & Regeneration	62,825	3,835	6.1%	0	0	(1,309)	2,526	4.0%
SERVICE NET EXPENDITURE	368,531	294,698	6.0%	1,840	728	(9,675)	15,090	4.1%
Total Corporate Items	(368,531)	(6,968)	1.9%			(425)	(7,393)	2.0%
TOTAL REVENUE NET EXPENDITURE	(0)	15,214	3.5%	1,840	728	(10,100)	7,696	1.8%

2.3. People Directorate:

2.3.1. The People Directorate reported a £16.3m overspend at P3 (before mitigating actions of £2.0m). As at Period 4 the forecast pressure has increased by £0.8m to £17.1m (again before mitigating actions now of £6.4m). This £0.8m movement in forecast comprises £0.6m in Adult Social Care and £0.2m in the Children and Families Service.

2.3.2. Adult Social Care (ASC) budgets continue to experience significant pressure in 2022/23 with a forecast risk of £7.1m at Period 4 on a budget of £169.8m (compared to £6.5m at P3). The main areas of this increasing risk relate to adults of working age budgets and residential and nursing budgets for people over 65 years old. These risk areas are partially offset by forecast underspends on employee costs and higher than expected levels of service user income. Inflationary cost pressures continue to present a significant financial challenge to the service.

2.3.3. It should be noted that the ASC risk forecast outturn overspend at P4 of £7.1m excludes the primary mitigations which are currently being developed to reduce this pressure.

2.3.4. The key variances for Adult Social Care (ASC) are as shown in Table 2 below:

Table 2

Financial Year 2022/23	Revised Budget 2022/23 £'000s	2022/23 Projection @ P04 £'000s	Projection Variance @ P04 £'000s	Change from P03 £'000s
Adult Purchasing				
Older Adults 65+	72,744	75,374	2,630	193
Working Age Adults 18 - 64	85,095	89,780	4,686	427
Preparing for Adulthood	9,725	10,868	1,143	175
Social Care Support	2,660	2,858	199	67
Income - Service User Contribution Only	-25,580	-26,094	-514	305
	144,644	152,787	8,143	1,167
Non Adult Purchasing				
Employees	36,013	33,468	-2,545	-563
Other - Net Costs	-10,834	-9,308	1,526	-50
		0	0	0
	25,179	24,159	-1,020	-613
Totals per budget report	169,823	176,946	7,123	555

2.3.5. Children and Families Service budgets are forecasting a risk of £7.9m at Period 4 on a budget of £71.7m (compared to £7.7m at P3). Movements in Children and Families Service are summarised in Table 3.

2.3.6. The main challenge and movement within Children's P4 forecast relates to placement costs where an increased forecast spend in Out Of Area (OOA) placements is anticipated; offset slightly by in-house placement costs. The service is currently working through mitigating actions to reduce this pressure.

Table 3

2021-22			2022-23 Forecast as at July 2022			
Outturn £000s	Children's Service		Revised Budget	Forecast Outturn	Outturn Variance	Movements from P3
			£'000			
4,416	112	Joint Commissioning (Children)	4,660	4,508	(152)	(0)
9,504	113	Targeted Support	8,942	8,518	(424)	1
2,013	153	Quality Assurance, BSCB	1,926	1,928	2	(42)
2,499	154	Area Social Work (North)	2,351	2,252	(98)	(55)
4,120	155	Area Social Work (East/Central)	3,750	4,277	527	(6)
2,918	156	Area Social Work (South)	2,833	2,921	88	44
7,687	157	Children & Aftercare teams	8,657	8,728	71	122
33,053	158	Internal & External Placements	31,803	39,522	7,719	121
1,990	159	Children & Family Support - Management	2,394	2,261	(133)	8
1,655	15A	Safeguarding and Area Services	1,757	1,919	162	(9)
2,188	15B	Specialist Services	2,358	2,490	131	(0)
260	15C	Community Safety	309	307	(2)	(9)
72,301	Division: Children and Families Services		71,740	79,632	7,891	174

2.3.7. There is no significant movement in the Education and Skills service reported at P4.

2.4.Resources Directorate:

2.4.1. The Resources Directorate reported a £3.8m overspend at Q1. As at Period 4 there is no change to the forecast pressure. Mitigating actions currently identified total £2m. These would significantly improve the Directorate's financial position to £1.8m forecast overspend. Further opportunities totalling £0.8m are being considered.

2.5.Growth and Regeneration:

2.5.1. The Growth & Regeneration Directorate reported a £3.8m overspend at Q1. As a result of a service restructure, the previous Department of Place division has been absorbed within the other divisions. As at P4 there is no material change to the forecast pressure, however, energy cost implications are still being modelled along with wider impacts of the cost of living.

2.5.2. Primary recovery plans within Housing & Landlord services to address the underlying pressure total £1.3m and the Directorate is working on further mitigations to ensure the emerging pressures will be fully contained.

3. SAVINGS PROGRAMME – SUMMARY

Table 4

Directorate	2022/23 Savings £m	2022/23 Savings reported as safe	2022/23 Savings reported as at risk	
			£m	%
People	10.7	7.8	2.9	27
Resources & Cross-Cutting	6.7	3.1	3.6	54
Growth and Regeneration	7.0	4.5	2.5	35
Total	24.4	15.4	9.0	37

- 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 4 £15.4m (63%) of savings are considered safe and £9.0m (37%) are reported at risk and are being monitored and reviewed for delivery or in-year mitigation where possible. This position represents an improvement since the P3 Exception report of £1.5m and reflects savings confirmed across all areas. Detailed information by directorate will be provided to October's Cabinet in the Q2 report.
- 3.3.** A number of these saving 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 may represent 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 5 below and extrapolated in subsequent sections of this report where a material movement is noted.

Table 5

P4 Exception Summary					
P4 Exception Summary	Revised Budget	Q1 Forecast	P3 Movement	P4 Movement	P4 Forecast
	£000s	£000s	£000s	£000s	£000s
Total Housing Revenue Account	0	1,165	635	(399)	1,401
RING FENCED BUDGETS					
Public Health	(0)	0	0	0	0
Dedicated Schools Grant	(0)	15,620	2,453	1,502	19,575
Total Ring fenced budgets	(0)	15,620	2,453	1,502	19,575

5.2. Housing Revenue Account

5.2.1. At the end of Period 4 the Housing Revenue Account is reporting an overspend of £1.4m. This is a favourable movement of £0.4m compared to the Period P3 forecast the main reasons for which are set out in Table 5 below.

Table 5

HOUSING REVENUE ACCOUNT	Revised Budget £M	Current Forecast £M	Outturn Variance £M	Prev Forecast £M	Previous Outturn Movement £M
Repairs & Maintenance	37.2	36.2	(1.0)	35.9	0.3
Supervision & Management	32.0	32.2	0.2	32.6	(0.4)
Special Services	11.5	13.3	1.8	13.6	(0.3)
Other	(80.7)	(80.3)	0.4	(80.3)	0.0
(Surplus) / Deficit on the HRA	0.0	1.4	1.4	1.8	(0.4)

5.2.2. The Repairs & Maintenance service spend has slightly recovered and is running at £1m below budget at the end of P4. The service is still experiencing capacity issues with both internal and external operatives. In response to this a new contractor has come on board, in advance of the previously anticipated November 2022 date. This will enable immediate scheduling of work that would otherwise have commenced in a few months' time. This does, however, drive additional spend of £0.3m which is the movement in the forecast between the P3 and P4.

5.2.3. The Supervision and Management service is forecasting an overspend of £0.2m, a favourable movement of £0.4m compared to P3 forecast. The change in forecast is due to a £0.1m reduction in the Housing IT Transformation Programme overhead costs and £0.3m reduction due to in-year staff vacancies.

5.3. The Dedicated Schools Grant

5.3.1. At the end of Period 4 the DSG is reporting an overspend of £19.6m. This adverse movement of £1.5m since P3 is mainly driven by top-up funding to support children with additional needs both in Special Schools (£0.2m) and Mainstream Schools (£1.3m).

5.3.2. The service is currently working through detailed DSG mitigation proposals which will be presented to the Schools' Forum in September and incorporated in the Q2 report for Cabinet.

Table 6

Summary DSG position 2022/23 Period 4 (P4)					
Bristol City Council DSG net position as at P4 (July 2022)	b/f balance	Net DSG funding/budget 2022/23	P4 2022/23 Forecast Outturn	In-year variance at P4	Cumulative c/f
	£'000				
Schools Block	0	82,903	82,903	0	0
De-delegation	(504)	119	119	0	(504)
Schools Central Block	8	2,742	2,742	0	8
Early Years	(472)	35,988	36,133	145	(327)
High Needs Block	26,359	63,508	82,198	18,690	45,049
HNB Transformation	(740)	1,531	2,271	740	0
Funding	0	(184,693)	(184,693)	0	0
Total	24,650	2,098	21,673	19,575	44,225

6. CAPITAL SUMMARY

6.1. The Capital programme budget at Period 4 has increased by £0.7m from £330.8m to £331.5m to reflect external grant award from the West of England Combined authority active travel fund. This grant forms part of the Strategic Transport programme within the Growth and Regeneration directorate and has previously been agreed at Cabinet (14/09/21).

6.2. The budget comprises £208.8m for General fund (including a corporate contingency of £14.1m) and £122.7m for the HRA. The forecast variation against the budget at Period 4 is a £40.5m underspend (£4.9m underspend on General fund and £35.6m underspend on HRA). This is set out in the Table 7 below:

Table 7

Approved Budget (Mar 22)	Budget Changes upto P4	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	4.4	13%	30.3	(4.0)
7.9	1.6	Resources	9.5	0.3	3%	9.0	(0.5)
132.1	18.8	Growth and Regeneration	150.9	22.0	15%	150.5	(0.4)
165.1	29.6	GF service Total	194.7	26.7	14%	189.8	(4.9)
122.7	0.0	Housing Revenue Account	122.7	12.0	10%	87.1	(35.6)
122.7	0.0	HRA service Total	122.7	12.0	10%	87.1	(35.6)
287.8	29.6	HRA & GF Service Total	317.4	38.7	12%	276.9	(40.5)
12.7	1.4	Corporate Contingencies & Funds	14.1	0.0	0%	14.1	0.0
300.5	31.0	Capital Programme Grand Total	331.5	38.7	12%	291.0	(40.5)

6.3. Further details will be provided at Q2. These will include the impact of emerging inflationary pressures on the Capital Programme. Approval will be sought for any budget adjustment.