Decision Pathway – Report

PURPOSE: Key decision

MEETING: Cabinet

MEETING DATE: 04 October 2022

TITLE	**2022/23 Quarter 2 Finance Report**
Ward(s)	n/a
Author: Jemma Prince	**Job title: Finance Business Partner - Planning**
Cabinet lead: Cllr Craig Cheney	**Director lead: Denise Murray**
Proposal origin: Other	
Decision maker: Cabinet Member **Decision forum:** Cabinet	

Purpose of Report:
The Council budget for 2022/23 was agreed by Council 2 March 2022. This report provides information and analysis at Quarter 2 (August 2022 extrapolated) on the Council's financial performance against the approved budget and forecast use of resources for the financial year.

Evidence Base:
The budget approved by Council in March 2022 was balanced over the 5-year medium term.

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 the 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. The Q2 forecast report includes request for approval to make such a realignment of funds.

The Council's overall annual revenue spend is managed and monitored across a number of areas and at Quarter 2 the forecast financial outturn for 2022/23 is as follows:

The General Fund

- The General Fund is currently forecasting a risk adjusted overspend of £11m (2.5%) 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 Energy.
- The General Fund savings programme for 2022/23 agreed by Council and included in the General fund budget above is £24.4m (22/23 savings £18m and £6.4m carried forward from prior years still requiring delivery). The Council has a robust governance process for tracking delivery of agreed savings through Executive Directorate Meetings and Delivery Executive and whilst work is still underway to assess developed savings plans there is currently £8.7m of savings that are being reported as being at risk.
  A number of these savings' delivery risks are captured in the forecast outturn above and or directorate risk and opportunities log; however, it should be noted that not all risks is formally acknowledged in the outturn and as such this represents an underlying additional risk.

The Ring-fenced Accounts

- Housing Revenue Account (HRA) is forecasting a overspend of £2.0m (1.8%) on the £112.6m gross expenditure budget. This overspend is largely caused by increases in energy costs, the Housing IT transformation programme as well as fire survey requirements.

- The Dedicated Schools Grant (DSG) budget, including amounts recouped by the Education and Skills Funding Agency for Academies, is £421.5m and is forecasting £19.9m (4.7%) in-year deficit. This is primarily driven by High Needs spend, resulting from increases in EHCP assessments and need. The total accumulated carried forward deficit for 2023/24 is forecast at £44.6m.
- The Public Health Grant allocation for 2022/23 is £34.6m and no variation is forecast

Capital Programme

- Capital programme budget has been revised to £333.9m (from £330.8m) comprising £211.2m for General fund and £122.7m for the HRA and including agreed slippage (carry forwards) from 2021/22 of £14.1m. The forecast variation at Quarter 2 is a net £81.7m (24.5%) underspend (comprising a £33.7m/16.0% underspend against the General fund budget and a £48.0m/39.1% underspend against the HRA budget). This is predominantly attributed to delays in progressing new build and land enabling works. Cabinet is recommended to approve the reprofiling of the £81.7m from 2022/23 into future periods.

Further Risks & Opportunities

- Further risks and opportunities to the Council have been identified which could materialise during the financial year. These are a combination of costs, savings delivery, income generation and funding opportunities. Details are outlined within the directorate appendices. The total weighted additional net opportunity which these present to the Council is currently assessed as £1.2m comprising £2.4m of risks and £3.6m of opportunities.
- In addition to the above reported service risks there are also significant additional risks relating to Cost of Living (inflationary) pressures. The Council continues to monitor these emerging pressures which are currently projected to amount to £31.4m. Of this £31.4m, £19.2m was assessed and allocated to the approved Budget 22/23 so that £12.3m is in excess of the budgeted allowance. Details are set out in paragraph 8 of Appendix A.

<u>External Funding Decision</u>

Approval is sought to make the necessary adjustments to the budgets for new funding allocations as outlined below and in Appendix A, section 11.

- Safer Streets Fund (Round 4) Grant Determination 01 April 2022 - 31 March 2024

Bristol City Council has been successful in securing up to £748,498 of grant funding from The Home Office to design and deliver local crime prevention plans with the outcome of reducing and preventing neighbourhood crime, anti-social behaviour (ASB), and Violence Against Women and Girls (VAWG) in public spaces, and to increase feelings of safety.

The funding is ring-fenced with £498,999 allocated to 2022-23 and £249,499 to 2023-24. The Council has agreed to provide match funding of £381,450.

- Prevent Local Delivery Grant Determination 2022-2023

Grant funding of up to £126,231 will be received by the Home Office this financial year in respect of the local delivery of the Prevent Programme which tackles the causes of radicalisation and responds to the ideological challenge of terrorism and safeguards and support those most at risk of radicalisation through early intervention, identifying them and offering support. The funding is ring-fenced.

<u>Officer Executive Decision</u>

- An urgent decision has been made to assist 22,000 Free School Meal/Pupil Premium children during the October 2022 School holidays by awarding a £15 voucher in respect of each child, i.e. total expenditure amount of £331k to be expensed against the grant funding once received (see Appendix A, section 12).

Full detail of Quarter 2 revenue and capital spending and forecast is provided in Appendix A and A1 to A6.

Cabinet Member / Officer Recommendations:

That Cabinet notes:

1. The General Fund risk adjusted forecast overspend of £11.0m
2. A forecast overspend of £2.0m within the HRA and that over or under spends that materialise on the HRA will be funded by a transfer to or from the HRA general reserve at the end of the financial year.
3. A forecast in-year deficit of £19.9m accumulating to a total £44.6m carried forward deficit in the DSG for 2023/24, and the requirement for the Council and the Schools Forum to work together to develop a clear mitigation plan which addresses the High Needs overspend.
4. A breakeven position on Public Health services.
5. A forecast £81.7m underspend (£33.7m overspend for the General fund and a £48.0m underspend on HRA against the latest approved Capital Programme's Budget).
6. The application of £9.2m from Corporate contingencies to the appropriate service area
7. Technical virements within section 3 of Appendix A.
8. The removal of £0.1m budget from across the Council for corporate subscription budget savings.
9. To note the Cost Of Living pressures.
10. The reduction of £3.6m to the Savings programme to be funded by £3.6m Optimism Bias contingency.
11. The planned use of £8.5m Capital Receipts in line the flexible use of capital receipts strategy.
12. Cabinet is asked to note the latest position on the balance sheet risks as set out in Appendix A.
13. The Officer Executive Decision to distribute grant funding of £0.3m for Free School Meal/Pupil Premium children during the October 2022 School holidays.

That Cabinet approve:

1. The temporary redirection of earmarked reserves totalling £13.6m to general reserve
2. The delegation of authority to the Director of Finance in conjunction with the Deputy Mayor for Finance to realign the general reserve in order to meet Q2 forecast spending requirements and to bring back a report Cabinet to demonstrate that all budget movements are within the scheme of delegation.
3. The reprofiling of forecast Capital underspend of £81.7m from 2022/23 into future periods
4. The acceptance and adjustment to the Council budget for the following grants as outlined in Appendix A Section 12:

- Safer Street Fund (Round 4) - £0.75m
- Prevent Local Delivery Grant Determination - £0.13m

Corporate Strategy alignment:
This report sets out progress against our budget, part acting in line with our organisational Theme of Effective Development Organisation, make sure that we are financially competent and resilient, offering good value for money (page 58).

City Benefits:
Cross priority report that covers whole of Council's business

Consultation Details: n/a

Background Documents: **Corporate Strategy**, Budget Council 15 February 2022

Revenue Cost	See above	**Source of Revenue Funding**	Various
Capital Cost	See above	**Source of Capital Funding**	Various
One off cost ☐	**Ongoing cost** ☐	**Saving Proposal** ☐	**Income generation proposal** ☐

Required information to be completed by Financial/Legal/ICT/ HR partners:
1. Finance Advice: The resource and financial implications are set out in the report
Finance Business Partner: Jemma Prince – FBP Planning – 26 September 2022
2. Legal Advice: The report, including the detail set out in Appendix A, will assist Cabinet to monitor the budget position, with a view to meeting the Council's legal obligation to deliver a balanced budget. The decisions sought to accept funding and the consequent adjustment to the budget in respect of the Safer Streets fund and Prevent Local delivery do not raise any specific legal implications.
Legal Team Leader: Nancy Rollason, 26th September 2022

3. HR Advice: Recruitment controls are in place. Advertising of roles and procurement/extension of agency workers are subject to Director/Executive Director approvals. Savings arising from vacancies held will be collected from service budgets. Permanent deletion of vacancies will be considered by Executive Directors. A scheme to reduce the number of managerial roles across the organisation is underway. Further measures to reduce staffing are under consideration.
HR Partner: James Brereton - Head of Human Resources – 26 September 2022

EDM Sign-off	Denise Murray	26/09/2022
Cabinet Member sign-off	Cllr Craig Cheney	26/09/2022
For Key Decisions - Mayor's Office sign-off	Mayor's Office	26/09/2022

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 – Eco-impact screening/ impact assessment of proposal	**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**