Bristol City Council - Finance Exception Report Period 6 2022/23

1. HIGH LEVEL SUMMARY FINANCIAL POSITION

1.1. This report sets out the Period 6 full year forecast for 2022/23 (September 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 5/Quarter 2 as reported to October'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 8/Quarter 3 full year forecast report for 2022/23 will cover all directorate and divisional performance in-depth. It is scheduled to be reported to January'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, with the potential for a request to be made for the Executive to consider granting a supplementary estimate redirecting funds from an alternative source.

1.4. As part of Period 5/Q2 detailed review and full financial forecast, a request to realign budget funds was approved by Cabinet. Supplementary estimates for which Cabinet approval is requested and supporting details of those movements for which delegated authority is since applicable are included in appendices A2-A8.

2. GENERAL FUND REVENUE POSITION

2.1. The assessment at Period 6 shows that the Council's scheduled General Fund is currently forecasting a risk adjusted overspend of £12.3 million (this is a 2.9% adverse variance on the approved gross budget of £431.1 million) and represents a movement of £3.8 million when compared to the £8.5 million at Period 5/Q2 after the application of £2.4 million management mitigations). Adults and Children Social Care and benefits loss of subsidy for Exempt Accommodation account for these new pressures.

2.2. The table below shows the Period 6 summary forecast position by directorate.

Table 1

Period 6 Exception - Summary	Revised Budget	Q2 Variance	Q2 Variance including Mitigations	Q2 Variance as % Net Budget	Release of Corporate Contingencies	Supplementary Estimate Released	P6 Exceptions	P6 Variance	P6 Variance as % Net Budget
	£000s	£000s	£000s	%		£000s	£000s	£000s	£000s
Total People	263,168	14,950	14,697	5.6%	(1,698)	(12,999)	2,653	2,653	1.0%
Total Resources	43,479	2,000	1,150	2.6%	(1,000)	(150)	1,100	1,100	2.5%
Total Growth & Regeneration	61,542	8,307	6,965	11.3%	(3,801)	(3,165)	0	0	0.0%
SERVICE NET EXPENDITURE	368,189	25,257	22,812	6.2%	(6,499)	(16,313)	3,753	3,753	1.0%
Total Corporate Items & Reserves	62,863	(22,812)	(22,812)	-36.3%	6,499	16,313	0	0	0.0%
TOTAL REVENUE NET EXPENDITURE	431,052	2,445	0	0.0%	0	0	3,753	3,753	0.9%
Pay Award Risk	0	6,352	6,352		0	0	0	6,352	0
Inflation Risk	0	2,187	2,187		0	0	0	2,187	0
Released General Reserves	0	0	0		0	0	0	0	0
Total Corporate Risks Items	431,052	10,984	8,539	2.0%	0	0	3,753	12,292	2.9%

2.3. People Directorate

2.3.1 The People Directorate reported a £14.7 million overspend at Period 5 (after mitigating actions of £2.0m). As at Period 6 the forecast pressure has increased by £2.7 million to £17.4 million. The £2.7 million adverse movement in forecast comprises of £0.6 million in Adult Social Care and £2.0 million in the Children and Families Service. The overspend is attributed to a range of different activities across the directorate and after the identification and application of service recovery actions is being mitigated by a combination of the release of Corporate Contingencies of £1.7 million and Supplementary Estimates funded from a release of funds totalling £13.0 million from a range of reserves.

2.3.2 Adult Social position at Period 6 is a £3.4 million forecast overspend (before supplementary estimates). This compares with the Period 5 position overspend of £2.7 million (after mitigations). The worsening position since Period 5 is £0.6 million as per Table 2 below. This mainly relates to realisation of redundancy costs at South Bristol Rehab Centre which will reduce the efficiency delivered. Whilst adult purchasing budgets improved by £0.378 million, non-adult purchasing budgets, which are employee budgets, and other service areas deteriorated by £0.657 million. In addition saving proposals were reduced by £0.365 million reflecting fewer remaining months of the year in which to deliver the interventions.

2.3.3 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 @ P06 £'000s	Projection Variance @ P06 £'000s	Change from P05 £'000s
Adult Purchasing				
Older Adults 65+	72,744	75,412	2,667	(118)
Working Age Adults 18 - 64	85,095	89,613	4,518	(208)
Preparing for Adulthood	9,726	11,298	1,571	353
Social Care Support	2,660	2,840	181	35
Income - Service User Contribution Only	(25,582)	(26,674)	(1,092)	(440)
	144,644	**152,488**	**7,844**	**(378)**
Non Adult Purchasing				
Employees	36,013	33,620	(2,393)	159
Other - Net Costs	(10,835)	(11,069)	(234)	498
	25,178	**22,551**	**(2,627)**	**657**
Mitigations		(1,821)	(1,821)	365
Totals per budget report	**169,821**	**173,218**	**3,396**	**644**

2.3.4 Children and Families Service budgets are forecasting a pressure of £12.2 million at Period 6 on a budget of £71.7million. Movements in Children and Families Service are summarised in Table 3 below.

2.3.5 The main challenge and movement within Children's Period 6 forecast relates to placement costs where an increased forecast spend in both External Supported Accommodation (ESA) and Out of Area (OOA) high costs placements have been approved; offset slightly by savings anticipated in staffing costs. The service is currently working through mitigating actions to reduce this pressure, both in terms of immediately deliverable opportunities and identifying options and proposals for future year budget management.

Table 3

2021-22			2022-23 Forecast as at September 2022			
Outturn	Children's Service		Revised Budget	Forecast Outturn	Outturn Variance	Movements from P5
£000s			£'000			
4,416	112	Joint Commissioning (Children)	4,660	4,486	(174)	(40)
9,504	113	Targeted Support	8,942	8,416	(526)	(69)
2,013	153	Quality Assurance, BSCB	1,898	1,905	7	(23)
2,499	154	Area Social Work (North)	2,351	2,344	(7)	58
4,120	155	Area Social Work (East/Central)	3,750	4,361	610	22
2,918	156	Area Social Work (South)	2,833	2,920	87	(43)
7,687	157	Children & Aftercare teams	8,657	8,731	74	(100)
33,053	158	Internal & External Placements	31,803	44,192	12,390	2,393
1,990	159	Children & Family Support - Management	2,384	1,642	(741)	(298)
1,655	15A	Safeguarding and Area Services	1,757	2,104	346	65
2,188	15B	Specialist Services	2,358	2,504	146	20
260	15C	Community Safety	309	301	(8)	(9)
72,301	**Division: Children and Families Services**		**71,702**	**83,906**	**12,204**	**1,976**

2.3.6 There is no significant movement in the Education and Skills service reported at Period 6.

2.4. Resources Directorate

2.4.1 The Resources Directorate is forecasting a £1.1million pressure in Period 6 due to Housing Benefits subsidy loss on exempt accommodation.

2.4.2 Paragraph 4(10) of Schedule 3 to the Housing Benefit and Council Tax Benefit (Consequential Provisions) Regulations 2006 defines Exempt accommodation as accommodation provided by a non-metropolitan county council in England, a housing association, registered charity, or voluntary organisation if that landlord, or someone acting for the landlord, also provides the claimant with care, support or supervision.

2.4.3 The tenant qualifies for the enhanced housing benefit payment, which is paid by the Department for Work and Pensions (DWP) via the housing benefit system and the claim is administered by the Council. However, housing benefit funds housing costs only and in the case of supported accommodation these include ‘intensive housing management costs’ (such as additional wear and tear, higher replacement costs) etc. Funding for the provision of support must be found from elsewhere. Qualifying providers can therefore receive HB payments that are in excess of LHA rates or social sector ‘general needs’ rents as these will include additional wear and tear, higher replacement costs etc.

.

2.4.4 Normal benefit subsidy rules do not apply and where a housing benefit claim is received from a tenant of a Registered Provider the Council will normally recover 100% of the cost via subsidy from the DWP. In the case of a charity or voluntary organisation the Council can only recover 60% (or zero subsidy) from DWP of the difference between the LHA level and the amount of the Enhanced HB claim.

2.4.5 There are currently around 18 exempt accommodation providers in Bristol for which the Council receives less than 100% subsidy providing around 545 units to claimants who have additional needs ranging from mental health, domestic abuse, learning difficulties, drug and alcohol addiction or issues following homelessness. 13 of the 18 providers are commissioned by either Adult Social Care and/or Housing Options, with the remaining 5 from providers who are not commissioned by the Council but still meet the above criteria. Commissioned ASC and HO services currently account for 92% of subsidy loss in this area or an estimated projected loss for 2022/23 of around £1.1million. Of this £1.1million, £0.65million is commissioned by ASC, £0.34million by Housing Options and £0.1million is jointly commissioned by Housing Options, ASC & CYPS. It is noted that these losses or additional unfunded support costs are not being factored into the forecast for these service areas and as such is now forecasted here.

2.4.6 The Benefits service within the Council undertake an administration role in this regard and as such future associated shortfall will be transferred to services in 2023/24 for commissioned activity and ASC, CSC and Housing Options will need to work through mitigating actions to reduce this pressure, both in terms of immediately deliverable opportunities and identifying options and proposals for future year budget management.

2.5. Growth and Regeneration

2.5.1 The Growth & Regeneration Directorate reported an adverse variance of £8.3 million at Period 5/Q2. Mitigations reported brought the variance down to £7.0 million which has now been managed through corporate contingency and supplementary estimates as detailed in appendix A2.

2.5.2 The directorate has highlighted a further potential £1 million adverse risk around increasing energy costs for highways street lighting. At present this has been included in the directorate risk and opportunities schedule at Table 5, rather than the forecast, with a view that mitigations will be investigated to manage this pressure.

2.6. Virements and Supplementary Estimates

2.6.1 Details of the supplementary estimates are set out in the attached appendices A2-A8. These follow the temporary redirection of earmarked reserves to general reserves and delegated authority to realign those general reserves to meet Q2 spending requirements as approved by Cabinet at Period 5/Q2.

Cabinet is requested to approve these supplementary estimates (per appendices A2-A8).

2.6.2 In line with the Period 5/Q2 report, virements of £13.6 million have been made to General Reserve.

2.6.3 Any actual year end improvement as compared to the revised budget net expenditure position is to be utilised to replenish the Feasibility Fund to be utilised as outlined in the Capital Strategy and profiled over the period of the capital programme approved by Council.

3. SAVINGS PROGRAMME – SUMMARY

Table 4

Directorate	2022/23 Savings	Optimism bias and Savings contingency	2022/23 Savings reported as safe	2022/23 Savings reported as at risk	
	£m	£m	£m	£m	%

People	10.7	0.8	7.8	2.1	20
Resources & Cross-cutting	6.7	2.7	3.3	0.7	10
Growth and Regeneration	7	0.1	4.6	2.3	33
Total	**24.4**	**3.6**	**15.7**	**5.1**	**21**

3.1. The savings programme agreed by Council in 2022 included savings totalling £18 million. There are £6.4 million of savings carried forward from prior years still requiring delivery. This brings the total savings delivery target for 2022/23 to £24.4 million.

3.2. As at period 6 £15.7 million (64%) of savings are considered safe. Following Cabinet approval (4 October 2022) £3.6 million has been allocated from the optimism bias and savings contingency to directorates as shown in Table 4. £3.5 million of this contingency is to cover in-year savings with delivery risk for 2022/23 only and £0.1 million (detailed in para 3.3) is earmarked to reverse non deliverable savings on a permanent basis. £5.1 million (25%) of in year savings are still reported at risk and are being monitored and reviewed for delivery or in-year mitigation where possible. There has been no movement to this assessment since period 5/Q2.

3.3. It is proposed that two savings totalling £0.1 million are written off permanently as follows:

- IN25 Museums £0.056 million. This saving carried over from 2021/22 and included increasing major event income through sponsorship and ticketed events. However, the service now has ongoing income pressures following a decrease in demand since Covid, which has not fully recovered. Possible future savings will be reviewed at the appropriate time.
- CEN06 Discretionary Giving £0.05 million. This saving was proposed when the initiative was in its infancy and further in-year due diligence has demonstrated that the cost of actioning this proposal and annual additional staffing or externally commissioned resource would outweigh the benefits.

3.4. 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 additional Cost of Living pressures. Directorates continue work to monitor and contain these.

4.2. Growth and Regeneration Directorate have highlighted net risks and opportunities totalling £2.4 million. Of significance is the emergence of a new street lighting energy cost pressure within the Highways division. The Directorate continues to work to balance off risks identified with mitigation in the months remaining.

Table 5

Division	Service	Risk or Opportunity	Description of Impact	Risk (Opportunity) £'000	Likelihood %	Net Risk (Opportunity) £'000
EoP	Development Management	Risk	Reduction in Planning fee income	98	95%	93
EoP	Development Management	Opportunity	Use of Work In Progress income to mitigate reduction in planning fee income	-98	95%	-93
EoP	Development Management	Risk	Shortfall in Markets income	100	75%	75
Corp Llord	Property Management	Risk	Net Income Pressure	363	95%	276
Corp Llord	FM	Opportunity	Vacancies in Building Practice Teams	-150	95%	-143
Corp Llord	FM	Opportunity	Vacancies & Extra Income	-141	95%	-134
MOP	BOC	Opportunity	Increased income	-101	5%	-5
MOP	Harbours	Opportunity	Increased income	-50	50%	-25
MOP	Highways	Risk	Income pressure - car parking	587	75%	440
MOP	Highways	Risk	Cost pressure - St Lighting energy	965	90%	869
MOP	Energy	Risk	Cost pressure - historic repairs on a project	86	95%	82
MOP	Energy	Risk	Cost pressure - removal of funding & ability to charge Mgt fees on projects	57	95%	54
MOP	Energy	Risk	Cost pressure - prudential borrowing (District Heating, Solar & Biomass)	93	95%	88
MOP	Energy	Risk	Income Pressure - connection fees & development income	755	95%	717
Total - REVENUE				**2,564**		**2,364**

4.3. No further risks and or opportunities have been identified for the Children and Families service.

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 6 below.

Table 6

P6 Exception - Summary	Revised Budget	Q2 Variance	Q2 Variance as % Net Budget	P6 Exceptions	P6 Variance	P6 Variance as % Net Budget
	£000s	£000s	%	£000s	£000s	%
RING FENCED BUDGETS						
Total Housing Revenue Account	**112,600**	**2,035**	**1.8%**		**2,035**	**1.8%**
Total Public Health	**34,600**	**0**	**0.0%**		**0**	**0.0%**
Total Dedicated Schools Grant	**421,500**	**19,906**	**4.7%**		**19,906**	**4.7%**
Total Ring fenced budgets	**568,700**	**21,941**		**0**	**21,941**	

5.2. Housing Revenue Account

5.2.1 As outlined in Table 6 above, there was no change in the HRA position between Period 5 and Period 6 where the forecast outturn was £2.0 million adverse at the end of the financial year. This will be contained within the HRA general reserves. The estimated impact of the over-budget pay award has been included in the HRA's risk and opportunities log.

5.3. The Dedicated Schools Grant

5.3.1 At the end of Period 6 the DSG is not reporting any material variance from Period 5.

5.4. The Public Health Grant

5.4.1 At the end of period 6 Public Health continues to report no variance to budget. For the over-budget element of any settled pay award, Public Health anticipates that it will look first to mitigate with reductions across other in-year budget expenditure lines and will otherwise draw from the Public Health Reserve.

6. CAPITAL SUMMARY

6.1. The Capital programme budget at period 6 has decreased by £80.9 million from £333.9 million to £253.0 million arising from the re-profiling of budgets as reported in the Period 5/Q2 monitoring report.

6.2. The budget comprises £179.6 million for General fund (including a corporate contingency of £11.8m) and £73.4 million for the HRA. The forecast variation against the budget at Period 6 is a £4.7 million underspend (£4.4m underspend on General fund and £0.3m underspend on HRA). This is set out in the Table 7 below:

Table 7

Approved Budget (Mar 22)*	Budget Changes upto P6	Directorate	Revised Budget	Actual Spend to date	Budget Spend to date	P6 Forecast Outturn	Variance
£m	£m		£m	£m	%	£m	£m
25.1	(2.5)	People	22.6	6.3	28%	21.0	(1.6)
7.9	(3.6)	Resources	4.3	0.7	16%	4.0	(0.3)
132.1	8.8	Growth and Regeneration	140.9	42.0	30%	138.4	(2.5)
165.1	**2.7**	**GF service Total**	**167.8**	**49.0**	**29%**	**163.4**	**(4.4)**
122.7	(49.3)	Housing Revenue Account	73.4	19.4	26%	73.1	(0.3)
122.7	**(49.3)**	**HRA service Total**	**73.4**	**19.4**	**26%**	**73.1**	**(0.3)**
287.8	**(46.6)**	**HRA & GF Service Total**	**241.2**	**68.4**	**28%**	**236.5**	**(4.7)**
12.7	(0.9)	Corporate Contingencies & Funds	11.8	0.0	0%	11.8	0.0
300.5	**(47.5)**	**Capital Programme Grand Total**	**253.0**	**68.4**	**27%**	**248.3**	**(4.7)**

6.3. The actual spend at Period 6 (the half-year) is low at £68.4 million (27% of revised full year budget). This factor when combined with previous year spend trend information (£167m 2021/22, £166m 2020/21, and £145m 2019/20), would indicate that the Period 6 2022/23 full year forecast of £248.3 million is optimistic.

6.4. It should be noted that further detailed reviews of projects and programmes are planned as part of the budget process to ensure delivery of schemes are accurately reported.

6.5. Further work is being undertaken alongside our Treasury advisors to review the capital programme, capital receipts, assess the Council's balance sheet and capital financing requirements and given the slippage / delays within the programme it is anticipated that this work will generate some efficiencies. This work is expected to be concluded in the coming weeks and outcome reported in a subsequent report.

7. EXTERNAL FUNDING DECISIONS

7.1. The City Council is developing two proposals for external funding to help achieve the goals of the One City Climate Strategy.

7.1.1 **Heat Pump Ready Programme**

The One City Climate Strategy identified the need to reduce the carbon emissions from heating homes in the city which accounts for about 30% of the city's direct greenhouse gas emissions. Most homes are heated by gas boilers and these need to be replaced by either district heating or by individual air source heat pumps. District heating suits the higher density areas of the city and individual heat pumps the lower density areas.

One of the recommendations of the Citizens' Assembly 2021 was to "Develop a pilot programme for a street or neighbourhood to showcase what could be achieved if a citywide approach to reaching net zero was taken, with control, coordination and cooperation at a local level". As part of our response to this recommendation, Bristol City Council has been undertaking a feasibility study on heat pump installation as part of the Department for Business, Energy and Industrial Strategy's Heat Pump Ready Programme, within the Westbury on Trym area.

Cabinet approval is sought to submit a Phase 2 bid to the Heat Pump Ready Programme, under the stream "Solutions for high-density heat pump deployment". If successful, the Bristol Heat Pump Ready project will deliver innovative and high-quality citizen engagement and installation of heat pumps in up to 200 homes in the Westbury on Trym area. This will be achieved by working with local businesses, ensuring excellent heat pump system design and targeting the most heat pump ready homes. The bid includes partners Buro Happold, the Centre for Sustainable Energy and the Green Register. Details of the bid are being finalised for submission in early November and the value will be up to £4 million. It is confirmed that partners have gone through a compliant procurement route and in addition, no contributions (e.g. match funding) is required from the Council's capital or revenue programme.

7.1.2 **Net Zero Cities Pilot Cities Programme**

To deliver the One City Climate Strategy we need to collaborate, innovate and secure substantial investment in decarbonisation of the city. To assist with these goals the Council has joined a European Union support programme for cities with ambitious 2030 climate neutrality targets – the Climate Neutral and Smart Cities Mission. The European Union has issued a call for cities to be Pilot Cities to test innovative solutions, the Net Zero Cities Pilot Cities Programme, under the umbrella of Horizon 2020, the 2014-2020 Research and Innovation (R&I) Framework Programme of the European Commission (EC). UK cites remain eligible for this programme.

Cabinet approval is sought to submit a proposal to this funding call to create a "Net Zero Innovation Lab" in Bristol focused on testing and deploying new finance initiatives to fund the transition to carbon neutrality, and to share the learnings from those innovations with other Climate Neutral and Smart Cities Mission cities. It will build on experience in Bristol, working with the City Leap Energy Partnership (subject to its approval for establishment), Bristol and Bath Regional Capital and Bristol Green Capital Partnership and will include work with communities to identify their needs for climate investment. Details of the bid are bid being finalised for submission in early November and the value will be up to 1.5 million euros. It is confirmed that partners have gone through a compliant procurement route. In addition, no contributions (e.g. match funding) will be required from the Council's capital or revenue programme.

Approval is sought to submit bids (following Finance due diligence) for these 2 external funding requests.
In both cases, notification of award or of any material variation is to come back to Cabinet under separate report as key decisions due to the related award values.