

Bristol City Council - Finance Exception Report Period 7 2022/23

1. HIGH LEVEL SUMMARY FINANCIAL POSITION

- 1.1. This report sets out the Period 7 full year forecast for 2022/23 (October 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 2023'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. This process was triggered following the P5/Q2 report so that supplementary estimates for the redirection of funds were approved by Cabinet.

2. GENERAL FUND REVENUE POSITION

- 2.1. The assessment at Period 7 shows that the Council's scheduled General Fund is currently forecasting a risk adjusted overspend of £12.2 million. This is a 2.8% adverse variance on the approved gross budget of £431.1 million and represents a £0.1 million improvement when compared to the £12.3 million at Period 6. Adults and Children Social Care, Education and Skills Home to School Transport and a delay to the forecasting of secured vacancy freeze savings reflect new pressures of £1.6 million at a directorate level offset by a £1.7 million improvement in the forecast position at a Corporate level following the recent conclusion of 2022/23 pay negotiations.
- 2.2. The table below shows the Period 7 summary forecast position by directorate.

Table 1

<i>Period 7 Exception - Summary</i>	Q2 Variance as % Net Budget	Revised Budget following Supplementary Estimate	P6 Variance	P7 Exceptions	Revised P7 Potential variance incl risk	P7 Variance as % Net Budget
	%	£000's	£000's	£000's	£000's	£000's
People						
Total People	5.7%	277,330	2,653	707	3,360	1.2%
Resources						
Total Resources	4.6%	44,439	1,100	900	2,000	4.5%
Growth & Regeneration						
Total Growth & Regeneration	13.5%	68,193	0	0	0	0.0%
SERVICE NET EXPENDITURE	6.9%	389,962	3,753	1,607	5,360	1.4%
Total Corporate Items & Reserves	-36.3%	41,090	0	0	0	0.0%
TOTAL REVENUE NET EXPENDITURE	0.6%	431,052	3,753	1,607	5,360	1.2%
Pay Award Risk		0	6,352	(1,691)	4,661	0
Inflation Risk		0	2,187		2,187	0
Released General Reserves		0	0		0	0
Total Corporate Risks Items		431,052	12,292	(84)	12,207	2.8%

2.3. People Directorate

2.3.1. The People Directorate at Period 7 is reporting a forecast pressure of £3.4m (1.2%) as compared to Period 6's adverse forecast of £2.6m (following the release of supplementary estimates and contingencies of £14.7m). This £3.4 million adverse forecast at Period 7 comprises £0.9 million in Adult Social Care and £0.4 million in Education Improvement.

2.3.2. The Adult Social Care position at Period 7 forecasts an overspend of £0.9m compared to the Period 6 position overspend of £0.6m (after supplementary estimates of £2.7m). The worsening position since Period 6 is £0.3m as per Table 2 below. This mainly relates to adverse movements in the Adult Purchasing budgets in respect of Older Adults 65+ (£0.2 million), Working Age Adults 18-64 years (£0.3 million) and reduction in Service User Contributions. Furthermore, saving proposals have also reduced by £0.3 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 @ P07 £'000s	Projection Variance @ P07 £'000s	Change from P06 £'000s
Adult Purchasing				
Older Adults 65+	72,744	75,587	2,843	176
Working Age Adults 18 - 64	85,095	89,948	4,854	336
Preparing for Adulthood	9,726	11,199	1,473	(98)
Social Care Support	2,660	2,855	196	15
Income - Service User Contribution Only	(25,582)	(26,472)	(890)	202
	144,644	153,118	8,475	630
Non Adult Purchasing				
Employees	36,142	33,503	(2,638)	(246)
Other - Net	(8,252)	(11,656)	(3,404)	(3,170)
Mitigations		(1,518)	(1,518)	304
	27,889	20,330	(7,560)	(3,112)
Totals per budget report	172,533	173,448	915	(2,482)

2.3.4. The Government announced the allocation of £500 million grant in respect of Adult Social Care Discharge Fund jointly for Integrated Care Boards (ICB) and Local Authorities across the country. As part of the conditions of the grant, it is expected that ICB and the Council will pool the funding into the Better Care Fund (BCF). The funding will be provided in two tranches – the first (40%) in December 2022, and the second (60%) by the end of January 2023 - subject to meeting the grant conditions which include providing a planned spending report by 16th December 2022 and weekly activity data thereafter.

2.3.5. The Council allocation of the ASC Discharge Fund is £1.690 million for the financial year 2022/23. Cabinet is therefore asked to give approval to the Council's S151 Officer and the Executive Director of People Directorate to accept this funding and revise budgets accordingly. Further details are provided at section 8.1.1 of this report.

2.3.6. Education and Skills forecast position has deteriorated by £0.4m in Period 7 (after supplementary estimates of £1.6m at P5/Q2). This is mainly due to Home to School Transport (HTST) where there is an increase in the number of children with EHC plans and children having to travel further due to local sufficiency challenges. Further details will be provided in the detailed P8/Q3 report.

2.4. Resources Directorate

2.4.1. The Resources Directorate is forecasting a £2.0m (4.6%) adverse position in Period 7 against a revised budget of £44.4m. This adverse position is due primarily to £1.1m Housing Benefits subsidy loss on exempt accommodation. It also reflects Resources releasing £0.9m forecast savings anticipated as part of the recently implemented vacancy freeze and initially held on behalf of all directorates. The release of this forecast held in the interim against Resources has

not at this stage been offset by new forecast savings cross-directorates. These will be included as part of P8's detailed report.

2.5. Growth and Regeneration

2.5.1. The Growth & Regeneration Directorate reported no change to forecast at Period 7.

2.5.2. The directorate has highlighted further potential £1.2m net risk around increasing energy costs for highways street lighting, as well as shortfalls in Income from recharges. At present these have been included in the directorate's risk and opportunities schedule at Table 5, rather than the forecast, with a view that mitigations will be investigated to manage this pressure.

3. SAVINGS PROGRAMME – SUMMARY

Table 4

Directorate	2022/23 Savings	2022/23 Savings reported as safe	2022/23 Savings reported as at risk	
	£m	£m	£m	%
People	10.3	8.3	2.0	19
Resources & Cross-cutting	7.1	5.4	1.6	24
Growth and Regeneration	7.0	6.1	1.0	13
Total	24.4	19.8	4.6	19

- 3.1. The savings programme agreed by Council in 2022 included savings totalling £18 million. These combine with £6.4 million of savings carried forward from prior years still requiring delivery to bring the total savings delivery target for 2022/23 to £24.4 million.
- 3.2. As at Period 7 £19.8 million (81%) of savings are considered safe. This includes £3.6m of optimism bias funding (previously approved in-year). £4.6 million (19%) of in year savings consequently remain at risk and are being monitored and reviewed for delivery or in-year mitigation where possible.
- 3.3. A number of these saving delivery risks are captured in the forecast outturn above and or directorate risk and opportunities logs. 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 previously been identified and which may still 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 £1.2 million, an improvement of £1.2m from P6. Of significance are the emergence of a new street lighting energy cost pressure within the Highways division as well as shortfalls in external income and internal recharges. 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
EoP	Regeneration	Risk	There is a potential claim from the Strategic Partner	200	75%	150
Corp Ulord	Property Management	Risk	Income Pressure	363	95%	345
Corp Ulord	FM	Opportunity	Vacancies in Building Practice Teams	(150)	95%	(143)
Corp Ulord	FM	Opportunity	Vacancies & Extra Income	(141)	95%	(134)
MOP	BOC	Opportunity	Increased income	(81)	5%	(4)
MOP	Harbours	Opportunity	Increased income	(50)	50%	(25)
MOP	Highways	Risk	Income pressure - car parking	171	75%	128
MOP	Highways	Risk	Cost pressure - St Lighting energy	447	90%	402
Corp Ulord	Energy	Risk	Income pressure - recharges	500	80%	400
Total - REVENUE				1,359		1,195

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 Period 7 forecast outturns for these ringfenced budgets are summarised in the Table 6 below.

Table 6

<i>Period 7 Exception - Summary</i>	Revised Budget	P6 Variance	P6 Variance as % Net Budget	P7 variance	P7 Variance as % Net Budget
	£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		21,941	

5.2. Housing Revenue Account

5.2.1. As outlined in Table 6 above, there was no material change in the HRA's forecast year end position between Period 6 and Period 7. This continues to project a £2.0 million adverse outturn at the end of the financial year. In addition, the estimated impact of the over-budget pay award has been assessed as £1.9m and is included in the HRA's risk and opportunities log and will be included in the forecast at P8/Q3 and refreshed in the 30 year business plan. Any variance to budget at the close of the year is expected to be contained within HRA general reserves.

5.2.2. An emergency decision has been made to approve the use of HRA reserves to enter a contract for £2.0m to secure the service of a company or companies to carry out Waking Watch provision at the Council's high-rise blocks. Further details are provided at Section 8 below and in Appendix A3.

5.3. The Dedicated Schools Grant

5.3.1. At the end of Period 7 the DSG is not reporting any material variance from Period 6. The estimated impact of the over-budget pay award has been assessed as £0.08m. This will be contained within the DSG's ring-fenced fund.

5.3.2. An in-depth budget monitor report to P7 is included in the report pack for 29 November 2022 Bristol Schools Forum.

5.4. The Public Health Grant

5.4.1. At the end of period 7 Public Health continues to report no variance to budget. The estimated impact of the over-budget pay award is assessed as £0.04m. Public Health anticipates that it will look first to mitigate this 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 full year budget at period 7 is £253.2m and comprises £179.8 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 7 is a £7.3 million underspend within the General fund and the HRA's forecast is in line with budget. This is set out in the Table 7 below:

Table 7

Approved Budget (Mar 22)*	Budget Changes upto P7	Directorate	Revised Budget	Actual Spend to date	Budget Spend to date	P7 Forecast Outturn	Variance
£m	£m		£m	£m	%	£m	£m
25.1	(2.5)	People	22.6	8.5	37%	20.9	(1.7)
7.9	(3.6)	Resources	4.3	0.8	18%	4.4	0.1
132.1	9.0	Growth and Regeneration	141.1	51.9	37%	135.4	(5.7)
165.1	2.9	GF service Total	168.0	61.2	36%	160.7	(7.3)
122.7	(49.3)	Housing Revenue Account	73.4	23.1	32%	73.4	0.0
122.7	(49.3)	HRA service Total	73.4	23.1	32%	73.4	0.0
287.8	(46.4)	HRA & GF Service Total	241.4	84.3	35%	234.1	(7.3)
12.7	(0.9)	Corporate Contingencies & Funds	11.8	0.0	0%	11.8	0.0
300.5	(47.3)	Capital Programme Grand Total	253.2	84.3	33%	245.9	(7.3)

- 6.2. The actual spend at Period 7 has increased to £84.3m (33% of revised full year budget) as compared to £68.4m in P6 (27%).
- 6.3. The total funding for the heat networks is £53.4m. This comprises PWLB £22.7m, grants of £22.5m and connection fees of £8.2m. The estimated funding requirement to 31 March 2023 is £26m of borrowing (£24m to 31 December 2022). This requires the Heat Network budget to be revised accordingly with the additional £3.3m being funded from the Council's capital contingency. **Approval is sought to realign the budgets accordingly noting that the future sale of assets to the City Leap partner could reduce the requirement for this fund.**
- 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. Work will be concluded shortly and the outcome included as part of the P8 in-depth report.

7. PAY AWARDS 2022/23

- 7.1. At the beginning of November agreement was reached on the 2022/23 pay awards for local government services employees and local authority Chief Officers.
- 7.2. The variance between the impact of the final settlement and that which was assumed for Budget 2022/23 is shown in the table below. This position is illustrative for both the General Fund and the ring-fenced accounts since the final actual cost will reflect actual pay bills and the impact of the vacancy freeze continues to take effect at this time.

Table 8

Fund	1	2	3	4	5	
	GF	HRA	PH	DSG & Educ Trans Prog.	Other - Hosp Education	Total
	£'s	£'s	£'s	£'s	£'s	£'s
Total Employer Cost (Current)	190,782,338	30,352,423	2,322,949	2,594,641	533,284	226,585,634
Change in Cost (After Pay Award)	11,861,301	1,906,088	101,483	150,709	42,537	14,062,118
Total Employer Cost (After Pay Award)	202,643,639	32,258,511	2,424,431	2,745,350	575,821	240,647,752
Actual % Change	6.2%	6.3%	4.4%	5.8%	8.0%	6.2%

Total Employer Cost (Budget) £	7,200,415	-	58,074	72,795	14,962	7,346,246
Actual v Budget Variance £	4,660,886	1,906,088	43,409	77,914	27,575	6,715,872

Approval is sought for the drawdown of £4.7m from Reserves to offset the impact of the pay award budget shortfall on the General Fund.

8. EXTERNAL FUNDING DECISION

8.1. The City Council is due to receive the following funding:

8.1.1. Adult Social Care Discharge Fund

As part of the Autumn Statement the Government announced the allocation of £500 million grant in respect of Adult Social Care Discharge Fund jointly for Integrated Care Boards (ICB) and Local Authorities across the country. This is to alleviate delays to discharging people from hospital when they are fit to leave. Grant conditions for the share of the £500m Adult Social Care Discharge Fund have now been published.

As part of the conditions of the grant, it is expected that ICB and BCC will pool the funding into the Better Care Fund (BCF). The Council need to work with ICB (BNSSG) to provide a planned spending report by 4 weeks after details of the fund are published (i.e. by 16 December 2022) confirming planned use of this grant against their BCF plan and that the use of the funding has been agreed by the local authority and the ICB.

The funding will be provided in two tranches – the first (40%) in December 2022, and the second (60%) by the end of January 2023 - subject to meeting the grant conditions after providing a planned spending report by 16th December 2022 and weekly activity data thereafter.

Bristol City Council's allocation of the ASC Discharge Fund is £1.690 million for the financial year 2022/23.

Approval is sought from Cabinet for the Council's S.151 Officer to accept this funding and revise budgets accordingly. Approval of an emergency decision regarding the spending plan which is due by 16 December 2022 will come to Cabinet in January 2023.

9. EMERGENCY DECISIONS TAKEN/APPROVED

URGENT PROVISION OF INTERIM FIRE SAFETY MEASURES

- 9.1. Following two major fire incidents in Council high-rise blocks, meetings have taken place between Avon Fire Service and Bristol City Council and the advice has been to review a number of fire safety policies. In addition, the Council has received three PAS9980 inspection reports that have recommended the precautionary measure of implementing waking watch on a number of other blocks where they may be at risk, while remedial works are carried out.
- 9.2. An emergency decision was taken to approve the use of HRA reserves to enter a contract for £2.0m to secure the service of a company or companies to carry out Waking Watch provision at the Council's high-rise blocks

Cabinet is asked to note the decision to enter a contract for £2.0m to carry out Waking Watch provision.