Bristol City Council
Quarter 3 2022/23 - Finance Monitoring Report

1. REVENUE SUMMARY POSITION

1.1 At Quarter 3 (P8), the Council is forecasting a risk adjusted overspend of £9.5m (2.2% of the gross budget of £431.1m) on the current approved General Fund budget as agreed by the Council in March 2022.

1.2 Forecast pressures are reflected across People Directorate where material service pressures and risks are attributed to Adults and Children Social Care and Education and Skills.

1.3 In addition to the above there are further risks and opportunities identified for each directorate, which continue to be managed. These are excluded from the forecast above and are summarised in Table 7 below as well as being set out in each of the separate appendices.

1.4 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.

1.5 Latest full year forecast at P8/Q3 indicates that an additional supplementary estimate will be required for an additional redirection of funds to support the People Directorate in meeting forecast 2022/23 full year spending requirements. This will be presented for approval as part of the Budget 2023/24 Report.

1.6 The forecast outturn position on the Housing Revenue Account (HRA) is £8.0m adverse (7.1%). Should this materialise it will be offset by the HRA Reserves. This is set out in Section 6.4 below and Appendix A4.

1.7 The Dedicated Schools Grant (DSG) forecast is £18.8m adverse (4.4%), which means that the cumulative deficit at year end is forecast to be £43.5m. This is set out in Section 6.5 below and Appendix A5.

1.8 The Public Health (PH) Grant is forecast to break-even as set out in Section 6.6 below and Appendix A6.

2. GENERAL FUND REVENUE POSITION

2.1 Table 1 below provides an overview of the Council's Q3 forecast position for the 2022/23 financial year. Additional service detail is provided for each Directorate in individual appendices.

Table 1: P8/Q3 2022/23 Summary Full Year General Fund Revenue Forecast

Period 8/Quarter 3 - Summary	Revised Budget	Q2 Variance including Mitigations	Q2 Variance as % Net Budget	Supplementary Estimate/ Contingency Released	P6 Movement by exception	P7 Movement by exception	P8 Detailed movement	Q3 Variance	Q3 Variance as % Net Budget
	£000s	£000s	%	£000s	£000s	£000s	£000s	£000s	%
People									
Adult Social Care	174,219	**2,753**	1.6%	(2,753)	643	272	127	**1,042**	0.6%
Children and Families Services	83,413	**10,192**	14.2%	(9,888)	2,010		1,444	**3,758**	4.5%
Educational Improvement	17,758	**1,601**	10.2%	(1,601)		435	436	**871**	4.9%
Public Health - General Fund	6,436	**151**	2.6%	(455)			(89)	**(393)**	-6.1%
Total People	**281,826**	**14,697**	**5.6%**	**(14,697)**	**2,653**	**707**	**1,918**	**5,278**	**1.9%**
Resources									
Digital Transformation	14,855	**1,072**	7.7%	(150)	210		(216)	**916**	6.2%
Legal and Democratic Services	15,228	**(227)**	-1.6%				28	**(199)**	-1.3%
Finance	8,674	**(316)**	-3.7%		1,100		0	**784**	9.0%
HR, Workplace & Organisational Design	4,477	**(315)**	-7.4%				(45)	**(360)**	-8.0%
Management - Resources	(1,633)	**908**	-50.5%	(1,000)		900	180	**988**	-60.5%
Policy, Strategy & Partnerships	4,953	**28**	0.6%		(210)		53	**(129)**	-2.6%
Total Resources	**46,554**	**1,150**	**2.6%**	**(1,150)**	**1,100**	**900**	**0**	**2,000**	**4.3%**
Growth & Regeneration									
Housing & Landlord Services	20,268	**2,742**	15.4%	(2,000)			30	**772**	3.8%
Economy of Place	5,129	**(1,750)**	-33.0%				1,600	**(150)**	-2.9%
Management of Place	1,671	**306**	24.4%				(1,021)	**(715)**	-42.8%
Management - G&R	(80)	**5,667**	-1382.2%	(4,907)			(876)	**(116)**	145.0%
Property, Assets and Infrastructure	44,679	**0**	0.0%	(58)			267	**209**	0.5%
Total Growth & Regeneration	**71,667**	**6,965**	**11.3%**	**(6,965)**	**0**	**0**	**0**	**0**	**0.0%**
SERVICE NET EXPENDITURE	**400,047**	**22,812**	**6.2%**	**(22,812)**	**3,753**	**1,607**	**1,918**	**7,278**	**1.8%**
Total Corporate Items & Reserves	**31,005**	**(9,194)**	**-36.3%**		**0**	**0**	**46**	**46**	**0.1%** *
TOTAL REVENUE NET EXPENDITURE	**431,052**	**13,618**	**0.0%**					**7,324**	**1.7%**
Pay Award Risk	**0**	**6,352**				(1,691)	(4,661)	**0**	**0**
Inflation Risk	**0**	**2,187**						**2,187**	**0**
Total Corporate Risks Items	**431,052**	**22,157**	**2.0%**					**9,511**	**2.2%**

***See note (2.5.2 below)**

2.2 People Directorate

2.2.1 The People Directorate at Period 8 is reporting a forecast pressure of £5.3m (1.9%) as compared to Period 7's adverse forecast of £3.3m (following the release of supplementary estimates and contingencies of £14.7m at P7). This £5.3m adverse forecast at Period 8 comprises £1m in Adult Social Care, and £0.9m in Education Improvement, further pressures of £3.8m in the Children and Families Service and a forecast underspend in Public Health of £0.4m.

2.2.2 Adult Social Care

Adult Social Care (ASC) is forecasting at P8 an adverse risk overspend of £1m (0.6%) against a revised budget of £174.2m (after savings mitigations of £1.2m). ASC budgets continue to experience significant pressure in 2022/23 with adult purchasing budgets being the main cost drivers, which are currently forecasting a risk adverse overspend of £8.5m (5.9%) against a budget of £144.6m in relation to the number of people being supported and cost of packages of care. The main areas of significant variance 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. The ASC adverse movement of £0.1m (13.8%) from

P7 forecast is due to increase in employees' adverse forecasts and not achieving some of the savings' mitigations identified by the service. However, further mitigations are still required to meet service needs in a sustainable way within cash limited budgets. Further details are provided at Appendix A1 of this report.

2.2.3 **Children and Families**

The Children and Families division is forecasting an overspend of £3.8m which equates to 4.5% of its budget. Placements continue to be the area of most concern and it is expected that this budget area in isolation will be £5.0m (12.4%) overspent by the end of the financial year. The budget used to support those families with no recourse to public funds with accommodation and subsistence is also significantly overspent (£0.6m, equating to 67.2% of budget) with referrals having increased by over 50% in the last eighteen months. Overspends have been offset in part by underspends resulting from delays in expanding in-house residential provision, fewer young people being held on remand than in previous years, purposefully delaying staff recruitment and retention initiatives given the financial position and pending transformation programme and grant income that can be attributed to activities funded from existing budgets.

The forecast has moved adversely by £1.3m in-month. In that time, an additional £1.3m has been built into the placement forecasts: £0.4m for external supported accommodation and £0.9m for out of authority residential placements. Timing assumptions regarding the transfer of young people aged 18 and over from external support accommodation to the housing pathway have been reviewed and consequently an additional £0.6m has been estimated for this cohort. Forecast spend for these young people now totals £1.6m, a cost that it is understood would be largely met from housing benefit if they had been allocated housing when they turned 18. Planned start dates to step down the care of children in the most expensive placements have slipped due to insufficient capacity in the placement finding team. This factor together with several placement breakdowns resulting in the need to make emergency, costly care arrangements explain the increase of £0.9m in the out of authority residential placement forecast. Temporary additional resource for the placement team was approved in December to mitigate against further slippage in the cost avoidance plans.

Detailed work is ongoing to develop a Children's Transformation Programme which will contribute to reducing and mitigating current in year spend and enable progress towards achieving a financially sustainable position over the longer term. The areas of focus will be supporting children and families to prevent them coming into care, improving the sufficiency of local placements in both fostering and residential care, and improving the pathways for children leaving care. This work will be underpinned by a stable workforce undertaking high quality practice. Further details on the P8 position are provided at Appendix A1 of this report.

2.2.4 **Education and Skills**

Education and Skills Service is forecasting an overspend of £0.9m (4.9%). Main pressures on Education (general fund) continue to be within the Home to School Transport service where there is a steep increase in the number of children with EHCPs (@17.3%) requiring transport support and having to travel further due to unavailability of local provision places compounded by fuel and driver costs impacting on contracts. Whilst the position is forecast to year end there is a risk that these challenges are exacerbated during the autumn and winter and further deteriorate the finance position.

2.2.5 **Communities and Public Health**

Communities and Public Health General Fund service is forecasting an underspend of £0.4m (6.1%) against a budget of £6.4m. This follows the P6 Cabinet approved drawdown and redirection of funds at the half year which included the distribution £0.4m of funds to Public Health GF to support People directorate's budget containment.

2.3 Resources Directorate

2.3.1 The Resources Directorate is forecasting a full year overspend of £2.0m (4.3%) against a revised budget of £46.6m. There has been no move in the directorate's net forecast in the month. The £2.0m forecast overspend is due to £1.1m housing benefits subsidy loss on exempt accommodations and a net £0.9m driven mainly by a vacancy freeze saving initially held on behalf of all directorates with the expectation that it be offset by new forecast savings cross-directorates. Further details on the P8 position are provided at Appendix A2 of this report.

2.3 Growth and Regeneration

2.4.1 The Growth & Regeneration Directorate reports no forecast variance against the revised net expenditure budget of £71.7m. Other cost pressures within the directorate have been captured within the risk and opportunities log at table 7 below. Further details on the P8 position are provided at Appendix A3 of this report.

2.4 Corporate Items and Reserves

2.5.1 Corporate budgets are typically held for Capital financing, corporate expenditure such as pensions, levies and contingencies for pay awards, inflation and non-delivery of savings.

2.5.2 Within capital financing, at P5/Q2 £0.6m was identified as a saving. Cabinet approved release of this £0.6m for 2022/23 only as part of the P5/P6 redirection of funds. At P8/Q3 a further £6.1m surplus is forecast for 2022/23. Due to slower than planned progress of the disposal programme and the possible risk of a consequent funding shortfall to support the financing of the capital programme in future periods, it is proposed that programme revenue expenditure is funded through this capital financing budget surplus. A request to utilise this £6.1m to fund in year investment programmes will come to Full Council as part of the Budget 2023/24 Report.

2.5.3 The Council's General Fund Reserve opening balance as at 1 April 2022 is £36.9m after a transfer of £3.2m as agreed in the 2022/23 budget to balance the general fund. The Q2 forecast identified £8.5m of risk associated to 2022/23 pay awards and inflations which reduced planned General reserves to £28.4m. It should be noted that these risks are recurrent and as such a longer-term solution is identified for Budget 2023/24.

2.5.4 Earmarked Reserves are held for a specific purpose. In accordance with the Council's policy on reserves, earmarked reserves are regularly reviewed for their continuing need. As at 1 April 2022 these reserves totalled £180m. At P5/Q2, Cabinet approved the redirection of £13.6m of earmarked reserves. At P8/Q3 the current forecast is that £60m will be drawn down in year leaving a closing balance of £106m.

2.5.5 Cabinet is asked to note the General Fund risk adjusted overspend of £9.5m and that, in line with the decision pathway process, supplementary estimate will be presented to Full Council for approval as part of the Budget 2023/24 report in the case that these should be required to meet P8/Q3 2022/23 full year spending requirements.

3. TECHNICAL VIREMENTS

3.1 Table 2 below summarises the inter-directorate technical virements from Q2 to Q3 with Table 3 detailing the reasons for budget movements.

Table 2: Summary of movement between Q2 and Q3 Revised Budget

Directorate	Revised Budget P5 £000's	Revised Budget P8 £000's	Budget Movement £000's
People	263,168	281,826	18,658
Resources	43,479	46,554	3,075
Growth & Regeneration	61,542	71,667	10,125
Corporate Funding & E:	-368,189	-400,047	-31,858
Totals	0	0	0

Table 3: Summary of Technical Virement Transactions from Q2 to Q3

Reason	Corporate Funding & £000's	Growth & Regeneration £000's	People £000's	Resources £000's
Central Charge adjustments	4	-4	0	0
GF Pay Award 22/23	-10,724	3,539	4,159	3,026
Inflation Adjustment	-3,921	3,480	441	0
Intra Cost Centre adjustments	0	-91	13	78
Reallocation of savings	-361	-104	552	-87
Reserve movement	-14,094	1,967	11,977	150
Service Changes	290	-55	-144	-91
Transfer from Contingency	-3,052	1,392	1,660	0
Grand Total	-31,858	10,125	18,658	3,075

3.2 Cabinet is asked to note the above technical virements.

4. SAVINGS PROGRAMME - SUMMARY

4.1 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 as shown in Table 4 below (excluding at this stage any residual allowance for Optimism Bias held within the budget).

Table 4: Summary of Savings Delivery

Directorate	2022/23 Savings	2022/23 Savings reported as safe	2022/23 Savings reported as at risk	
	£m	£m	£m	%
People	10.3	7.8	2.5	24
Resources & Cross-Cutting	7.1	6.6	0.5	6
Growth and Regeneration	7.0	6.3	0.7	10
Total	**24.4**	**20.7**	**3.7**	**15**

4.2 As at period 8, Q3, £20.7m (85%) of savings are considered safe and £3.7m (15%) 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 P7 Exception report of £0.9m and reflects savings confirmed in Resources and G&R offset by increased savings reported at risk in the People directorate. Detailed information by directorate is provided in the appendices to this report. A number of these saving delivery risks are captured in the forecast outturn above and or directorates' 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.

5. RISKS AND OPPORTUNITIES

5.1 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 costs, savings delivery, income generation and funding opportunities. Details are outlined within the directorate appendices.

5.2 The table below summarises the risk and opportunities shown in the Directorate appendices and although it is showing a net opportunity of by £1.3m it should be noted that there are risks around the Adult Social Care market and Children's placements that cannot be quantified at present.

Table 5: Summary Risks and Opportunities by Directorate

	Risks	Opps	Net Risks / Opps
People	0.5	-3.0	-2.5
Resources	0.1	-0.1	0.0
Growth & Regeneration	2.4	-1.2	1.2
Total	3.0	-4.3	-1.3

6. RING-FENCED BUDGETS

6.1. 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 three main activities that are ringfenced through legislation and/or government funding rules and covered in this Q3 report are the HRA, DSG and Public Health.

6.2. Table 6 below provides an overview of the Council's Q3 forecast position for the 2022/23 financial year.

Table 6: P8/Q3 2022/23 Summary Full Year Ring-Fenced Fund Forecast

Period 8/Quarter 3 - Summary	Revised Budget	Q2 Variance including Mitigations	Q2 Variance as % Net Budget	P6 Movement by exception	P7 Movement by exception	P8 Detailed movement	Q3 Variance	Q3 Variance as % Net Budget
	£000s	£000s	%	£000s	£000s	£000s	£000s	%
RING FENCED BUDGETS								
Total Housing Revenue Account	112,600	2,035	1.8%	0	0	5,921	7,956	7.1%
Total Public Health	34,600	0	0.0%	0	0	0	0	0.0%
Total Dedicated Schools Grant	423,400	19,906	4.7%	0	0	(1,082)	18,824	4.4%
Total Ring fenced budgets	570,600	21,941		0	0	4,839	26,780	

6.3. Further detail of the financial pressures and variances are summarised at a high level only below, with full details contained in the following appendices:

- HRA – Appendix A4
- DSG – Appendix A5
- Public Health – Appendix A6

6.4. HRA

6.4.1. The Housing Revenue Account (HRA) is a self-financing account and must ensure it operates within the resources available which include levels of HRA reserves. The HRA does not directly impact on the Council's wider general fund budget. Income to the HRA is primarily received through the rents and other charges paid by tenants and leaseholders.

6.4.2. The Housing Revenue Account is forecasting an adverse variance of £8.0m (7.1%) when compared to budget. The forecast overspend reported will be contained within the HRA general reserves of £102.2m as at the end of March 2022. This deficit is due primarily to significant increases in energy charges, extensive additional fire safety work (for which an emergency decision was made And reported to Cabinet at P7) and the first phase of an IT Transformation programme.

6.5. **DSG**

6.5.1. Bristol's DSG allocation for 2022/23 is £423.4m or £186.9m after deductions and excluding the de-delegation element (where de-delegation is an agreed retention of maintained schools funds held centrally for certain agreed services as agreed by the Schools Forum). The DSG is currently forecasting an in-year overspend of £18.8m (4.4%). When added to the prior year's brought forward deficit balance of £24.7m this results in a forecast cumulative overspend to be carried forward at the close of this financial year of £43.5m as shown in Table 9 below. This forecast is in line with the DSG cumulative deficit position outlined in the March 2022 budget report.

Table 7: Period 8 - DSG Summary Full Year Forecast

Forecast position on overall DSG for 2022/23 at Period 8 (to end of November 2022 extrapolated)

All figures £'000	*End of year b/f Deficit*	*Transfers*	*b/f Deficit*	*DSG Funding 2022/23*	*Forecast Outturn Period 8 2022/23*	*Forecast in-year variance as at P8 2022/23*	*Forecast Carry-forward as at Period 8 2022/23*
Schools Block	-1,517	1,517	0	304,661	304,104	-557	-557
De-delegation	-504		-504	0	0	0	-504
Schools Central Services Block	8		8	2,742	2,742	0	8
Early Years	-472		-472	35,987	36,455	468	-4
High Needs Block	27,876	-1,517	26,358	78,466	96,641	18,175	44,533
	-740		-740	1,531	2,271	740	0
Funding	-		-	-423,388	-442,213		
Total	**24,650**	**0**	**24,650**	**0**	**0**	**18,825**	**43,475**

6.5.2. The biggest challenge is within the High Needs block (HN) where 2022/23 HN net budget as at November 2022 was £64.9m; excluding funding directly passported to schools, or £80.1m before deductions. This represents an in-year budget increase of £9.7m but a shortfall of £5.6m when comparing to 2021/22 outturn / actual spend. Another key driver of the HN overspend is a 10% increase in the number of children and young people with EHCP's in the last year, which is in line with the national trend (10% increase nationally) but higher than statistical neighbours who have averaged just below 9% increase.

6.5.3 The Education service is currently developing the High Needs Block recovery plan and has commenced with the DfE Delivering Better Value (DBV) for SEND programme. Bristol will be progressing on its SEND improvement journey alongside 54 other LAs in the DBV Programme in order to secure a sustainable approach in delivering SEND.

6.5.3. **Cabinet is asked to note a forecast overspend of £8.0m within the HRA and a forecast in-year deficit of £18.8m accumulating to a total £43.5m 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.**

6.6. Communities and Public Health

6.6.1. Public Health (PH) Grant of £34.6m was awarded for 2022/23 by Public Health England (PHE).

6.6.2. The Public Health grant is awarded annually to the local authority. It is ring fenced for the purposes of public health. The grant funds a range of mandated public health services and supports the Director of Public Health to discharge their statutory duties for protecting health, improving health, promoting health equity, and reducing health inequalities through the funding of locally identified public health priorities.

6.6.3. Bristol's local priorities include reducing harm from drugs and alcohol, improving mental health, reducing harm from domestic abuse, food equality and community health action. 72% of public health functions and services are externally commissioned with 16% internally commissioned. An annual return must be provided by the authority to Public Health England, which is audited against the grant regulations. Further details are provided at Appendix A6 of this report.

7. CAPITAL

7.1. The current Capital programme budget at P8 2022/23 is £244.9m before corporate contingency of £9.8m. The budget comprises £171.5m for General fund and £73.4m for the HRA. The forecast variation at P8 is a net £21.7m underspend (£18.0m on General fund and £3.7m on HRA) again excluding the corporate contingency of £9.8m. Details of this are set out in Table 10 below.

Table 8: Capital Programme 22/23 By Directorate

Approved Budget (Mar 22)*	Budget Changes upto P8	Directorate	Revised Budget	Actual Spend to date	Budget Spend to date	P8 Forecast Outturn	Variance
£m	£m		£m	£m	%	£m	£m
25.1	(0.8)	People	24.3	10.4	43%	21.4	(2.9)
7.9	(3.6)	Resources	4.3	0.8	19%	2.1	(2.2)
132.1	10.8	Growth and Regeneration	142.9	66.7	47%	130.0	(12.9)
165.1	**6.4**	**GF service Total**	**171.5**	**77.9**	**45%**	**153.5**	**(18.0)**
122.7	(49.3)	Housing Revenue Account	73.4	27.1	37%	69.7	(3.7)
122.7	**(49.3)**	**HRA service Total**	**73.4**	**27.1**	**37%**	**69.7**	**(3.7)**
287.8	**(42.9)**	**HRA & GF Service Total**	**244.9**	**105.0**	**43%**	**223.2**	**(21.7)**
12.7	(2.9)	Corporate Contingencies & Funds	9.8	0.0	0%	0.0	(9.8)
300.5	**(45.8)**	**Capital Programme Grand Total**	**254.7**	**105.0**	**41%**	**223.2**	**(31.5)**

7.2. The £21.7m variance underspend reflects alignments with the latest expected programme delivery schedules. Delays are mainly caused by supply chain problems including the shortage of raw materials and skilled labour, along with planning and procurement taking longer than anticipated. This variance relates to various projects and programmes summarised as follows;

- £12.9m G&R – Numerous projects and programmes including PL30 Housing Delivery (£1.8m), GR10 Improvements to Local Centres (£1.5m), PL09/PL10 Highways & Traffic and bridges Infrastructure (£2.2m) and GR01 Temple Meads Development (£1.2m).
- £2.9m PE01 School Organisation/ Children's Services Capital Programme
- £2.2m within Resources directorate primarily the ICT programmes and the expansion of the Flax Bourton Mortuary.
- £3.7m within the HRA relating to the planned estates programme (£2.6m) and the new build programme (£1.1m).

7.3. **Cabinet is recommended to approve the reprofiling of this underspend of £21.7m from 2022/23 into future periods.** The profile of which has been provided by project managers. Details of the changes at programme level are included within the Capital Programme Summary Monitor Report as at the end of November 2022 (Appendix A7) with further detail and commentary in Directorate appendices.

8. FLEXIBLE USE OF CAPITAL RECEIPTS

8.1. Local authorities have the continued freedom for a period of 3 years which began on 1 April 2022 to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. Updated directions were provided by government in April 2022 detailing the type of expenditure that qualifies for the flexible use of capital receipts and a new sign off and reporting process via the Secretary of State (SOS) for each financial year in which the direction is used.

8.2. £5.0m has been budgeted in 2022/23 for revenue expenditure which relates to the delivery of savings and transformation to be funded from flexible use of capital receipts and £3.5m carried forward from 2021/22 which is earmarked specifically for the Digital Transformation Programme.

8.3. Due to the slower than anticipated progress of the disposal programme and the possible risk of consequent funding shortfall to support the financing of the capital programme in future periods, it is proposed that the 2022/23 revenue expenditure is funded through the use of the capital financing budget surplus.

Cabinet is asked to note the planned use of capital financing budget to support the Digital Transformation Programme (£3.5m)

9. REGULATORY INCOME

COUNCIL TAX (including preceptor's income)

9.1. Bristol City Council set the Council Tax budget for 2022/23 with a 2.99% increase (1.99% for general requirements plus 1% specifically for Adult Social Care). The Council's budgeted income from Council Tax is £243.2m and represents 56.4% of the net budget requirement (£431.1m).

9.2. Council Tax collection is reporting a deficit of £5.06m at the end of November, which may increase further over the remaining months of the year as the impact of the cost of living crisis becomes clearer. To ensure the provision for bad debts is sufficient a further £2m has been added. This will be reviewed again at the end of the year.

9.3. The service continues to roll out the additional reminder stages of the corporate debt policy and is focusing on supporting citizens in stabilising their existing liability before moving focus to bringing those in arrears up to date.

9.4. With regard to the Council Tax Reduction Scheme (CTRS), after a significant increase during the pandemic, claims have levelled off for pensioner claimants, along with a significant and continuing fall in the number of working age claimants. The impact of the cost-of-living crisis over the autumn & winter and economic conditions could very well have an impact on caseloads, particularly amongst working age claimants. However, at this point, it is assumed cases would again level off, rather than increase. This reduction in caseload results in a saving against budgeted scheme costs of £4.7m.

9.5. There is likely to be an overall surplus on the council tax element of the collection fund, including any balances brought forward of £1.9m, the Bristol share of which is £1.7m. This is credited to the General Fund in 2023/24.

BUSINESS RATES

9.6. Business rates (BR): the Council's budgeted BR income is £140.7m in 2022/23 (net of tariff of £94m) and represents 32.7% of the net budget requirement (£431.1m).

9.7. A significant number of businesses have missed monthly instalments to date this year and/or have extended their instalments through to February and March 2023.

9.8. In year collection to date is £158m. This includes the application of over £10m of Covid-19 Additional Relief Fund (CARF) grant which has largely been applied to the current year liabilities. As the result of this grant and some business rates growth, collection is largely on target for this time of year. We have also been able to reduce the contribution to the bad debt provision. Refunds continue to be issued in respect of adjustments to rateable value assessments, many of which will be charged to the appeals provision, and therefore a further increase of £2m to the provision, over that originally budgeted, is likely to be required at year-end.

9.9. The increasing energy costs, together with the cost of living crisis generally are both adding to the difficulties many businesses are facing, which are expected to impact on collection levels.

9.10. There is likely to be an overall surplus on the business rates element of the collection fund, after the allocation of grant income, and including any balances brought forward of £3.4m, the Bristol share of which is £3.2m. This is credited to the General Fund in 2023/24.

DEBT MANAGEMENT

9.11. During the year the Council collects core locally retained funding and income from various areas to fund the services provided. A breakdown of the main sources of debt outstanding at 30 November 2022 is outlined in the table below.

Table 9: Opening and Closing Balances of Outstanding Debt

Type of Debt	Opening Balance (01 Apr 2022) £m	Movement £m	Closing Balance (31 Nov 2022) £m
Sundry Debt	78.300	(10.745)	67.555
Council Tax Arrears	38.216	(7.497)	30.719

Business Rates Arrears	29.042	(12.006)	17.036
HRA Housing Arrears	11.935	0.00	11.935
Overpaid Housing Benefits	19.267	0.659	19.926

Of the £67.555m sundry debt outstanding at 30 November 2022, £43.9m (65.0%) was less than 1 year old, £12.6m (19.0%) relates to invoices less than 30 days old that therefore weren't payable until after 30 November 2022. This is not directly comparable to the billing and collection processes for Council Tax and business rates.

Write offs of aged debt are reported annually to Cabinet. During the period months April to November 2022, £1.58m was written off in line with the scheme of delegation. As debt recovery activity continues to increase to previous levels this figure may increase, especially with the ongoing cost of living crisis. A review of all aged and static debt now activity is being undertaken and ethical engagement with indebted customers continues.

10. BALANCE SHEET RISKS

10.1. DSG Deficit – negative reserve. DSG ended last financial year with a cumulative deficit of £26.7m and is forecasting an in-year deficit of £18.8m, or a cumulative forecast deficit position of £43.5m at the end of 2022/23. The Statutory Instrument (SI) will end on 31 March 2023. As there is no indication of extending statutory overwrite by DfE or ESFA, therefore we will work on the assumption that this will end by 31/3/2023. The implication is that if the period of the SI is not extended by government or additional funding provided to address the accumulated historic deficits, the Council would have to ensure there are adequate usable reserve to cover any DSG deficit when preparing the Council's accounts. The LA has been engaging with the Bristol Schools Forum on DSG Transformation Programmes, Education Service has since developed its High Needs Recovery proposals (to be consulted) and participated DfE's Delivering Better Value for SEND programme in pursuit of a viable way forward.

10.2. Maintained Nursery school deficits – MNS transformation programme.
Fourteen LA maintained schools ended the financial year 2021/22 with a shared deficit totalling £2.103m which has carried forward into 2022/23. Out of 14 schools with deficit position, the nursery sector continues to be a concern, with 11 out of the 12 maintained nursery schools ended last financial year in a deficit position totalling £5.192m, an adverse in year movement of £1.236m. Some of the deficits representing a substantial proportion of their annual budgets. The Education Early Years team has been working with the ESFA regional support team this Spring to find a sustainable way forward. Different models of operation have also been considered which could potentially reduce some of their in-year deficit going forward. The Service also secured £90k from DSG Early Year's Block (previous years' underspend) in May 2022 with the support from Bristol Schools Forum to fund its nursery improvement work. The LA will continue to support and challenge schools with deficits to help them manage their medium-term recovery to a balanced position in line with the scheme for financing schools.

10.3. Capitalised expenditure risk of impairment – a revenue feasibility fund has been set up to develop schemes with sufficient robustness and certainty of their progression. There are currently no schemes identified that currently pose a risk of not progressing that would result in a revenue reversion of previously capitalised expenditure.

10.4. Council Service Investments including loans to wholly owned subsidiaries are shown in the table below. The value of Council Service investments approved as at the end of November 2022 was £81.1m, of which £39.6m has been drawn down / remains outstanding. There is no objective evidence to indicate a default on the service investments.

Table 10: Balance Sheet Risks

Long Term Debtors	Approved Budget	Total Long Term Debtors Outstanding
	£m	£m
Bristol Waste Company	12.000	7.546
Goram Homes - Working Capital Facility	7.300	3.373
Goram Homes - Loan Notes	12.851	10.026
Bristol Heat Networks	26.000	0.300
Bristol & Bath Regional Capital	0.250	0.250
Bristol Credit Union	0.500	0.500
City Funds LP	5.000	3.093
Sub-Total	**63.901**	**25.088**

Long Term Investments	Approved Budget	Total Investment Outstanding
	£m	£m
Bristol Port Company	2.500	2.500
Bristol is Open	0.350	0.350
Bristol Holding - Wholly Owned Subsidiaries	0.000	0.000
Homelessness Property Fund	10.000	9.100
Temp Accomm (RSAP) Property Fund	4.000	2.235
Avon Mutual Community Bank	0.300	0.300
Sub-Total	**17.150**	**14.485**
Total	**81.051**	**39.573**

10.4. Cabinet is asked to note the latest position on the balance sheet risks as set out in this section.

11. EXTERNAL FUNDING

11.1. N/A

12. OFFICER EXECUTIVE DECISIONS TAKEN/APPROVED

11.2. N/A