

Appendix A1

Bristol City Council - Finance Exception Report Period 9 2022/23

1. HIGH LEVEL SUMMARY FINANCIAL POSITION

- 1.1.** This report sets out the Period 9 full year forecast for 2022/23 (December 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 8/Quarter 3 as reported to January'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 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 Full Council. The process has been triggered again following the P8/Q3 report so that additional supplementary estimates are currently following the decision pathway to Full Council as part of the Budget 2023/2024 Report.

2. GENERAL FUND REVENUE POSITION

- 2.1.** The assessment at Period 9 shows that the Council's scheduled General Fund is currently forecasting a risk adjusted overspend of £11.3 million. This is a 2.6% adverse variance on the approved gross budget of £431.1 million and represents a further £1.7 million pressure when compared to the £9.5 million reported at Period 8/Quarter 3. This reflects further need and associated financial risk which has emerged as at period 9 within the People Directorate, namely Adults Social Care (ASC), Children and Families (CSC) and Education. Whist officers are confident that the ASC additional demand can be contained within available resources, challenges will remain in meeting the CSC need within the agreed funding envelope. The position will continue to be closely monitored and mitigations explored; however, it is likely that a further Supplementary Estimate may be required prior to the end of the financial year and should this be required appropriate approvals will need to be sought from Cabinet / Council.

- 2.2.** The table below shows the Period 9 summary forecast position by directorate.

Table 1

<i>Period 9 Exception - Summary</i>	2022/23 Revised Budget	Q3 Variance	Q3 Variance as % Net Budget	P9 Exceptions	P9 variance	P9 Variance as % Net Budget
	£000's	£000's	%	£000's	£000's	%
People						
Adult Social Care	174,219	1,042	0.6%	527	1,569	0.9%
Children and Families Services	83,413	3,758	4.5%	1,034	4,792	5.7%
Educational Improvement	17,758	871	4.9%	185	1,056	5.9%
Public Health - General Fund	6,436	(393)	-6.1%	0	(393)	-6.1%
Total People	281,826	5,278	1.9%	1,746	7,024	2.5%
Resources						
Digital Transformation	14,963	916	6.1%	0	916	6.1%
Legal and Democratic Services	15,228	(199)	-1.3%	0	(199)	-1.3%
Finance	8,565	784	9.2%	0	784	9.2%
HR, Workplace & Organisational Design	4,477	(360)	-8.0%	0	(360)	-8.0%
Management - Resources	(1,636)	988	-60.4%	0	988	-60.4%
Policy, Strategy & Partnerships	4,953	(129)	-2.6%	0	(129)	-2.6%
Total Resources	46,550	2,000	4.3%	0	2,000	4.3%
Growth & Regeneration						
Housing & Landlord Services	20,268	772	3.8%	0	772	3.8%
Economy of Place	4,782	(150)	-3.1%	0	(150)	-3.1%
Management of Place	1,700	(715)	-42.1%	0	(715)	-42.1%
Management - G&R	(80)	(116)	145.0%	0	(116)	145.0%
Property, Assets and Infrastructure	44,260	209	0.5%	0	209	0.5%
Total Growth & Regeneration	70,929	0	0.0%	0	0	0.0%
SERVICE NET EXPENDITURE	399,304	7,278	1.8%	1,746	9,024	2.3%
Total Corporate Items & Reserves	31,748	46	0.1%	0	46	0.1%
TOTAL REVENUE NET EXPENDITURE	431,052	7,324	1.7%	1,746	9,070	2.1%
Inflation Risk	0	2,187	0		2,187	0.0%
Total Corporate Risks Items	431,052	9,511	2.2%	1,746	11,257	2.6%

2.3. People Directorate

2.3.1. The People Directorate at Period 9 is reporting a forecast pressure of £7.0m (2.5%) as compared to Period 8's adverse forecast of £5.3m. This £7.0m adverse forecast at Period 9 comprises £1.5m in Adult Social Care, £4.8m in Children and Families, £1.1m in Education Improvement and is mitigated by £0.4m in Public Health general fund services.

2.3.2. The Adult Social Care position at Period 9 forecasts an overspend of £1.5m compared to the Period 8 position overspend of £1.0m. The worsening position since Period 8 is £0.5m as per Table 2 below. This position relates mainly to adverse movements in the Adult Purchasing budgets in respect of Older Adults 65+ of £0.4m, Working Age Adults 18-64 years of £0.3m, Preparing for Adulthood of £0.3m, mitigated by an increase in Service User Contributions of (£0.1m) and improved forecast assumptions in relation to the release of grants and provisions

(£1.0m). Furthermore, saving proposals have also reduced by £0.6m 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 @ P09 £'000s	Projection Variance @ P09 £'000s	Change from P08 £'000s
Adult Purchasing				
Older Adults 65+	72,744	75,895	3,150	463
Working Age Adults 18 - 64	85,095	90,439	5,344	307
Preparing for Adulthood	9,726	11,617	1,890	380
Social Care Support	2,660	2,884	224	(15)
Income - Service User Contribution Only	(25,582)	(26,648)	(1,067)	(161)
	144,644	154,186	9,543	973
Non Adult Purchasing				
Employees	37,828	35,641	(2,187)	(12)
Other - Net	(8,252)	(13,128)	(4,876)	(1,042)
Mitigations		(911)	(911)	608
	29,575	21,602	(7,974)	(446)
Totals per budget report	174,219	175,788	1,569	527

2.3.4. The forecast position in Children and Families has deteriorated by a further £1.0m in Period 9 and is now reporting a budget pressure of £4.8m. The movement in the variance is primarily a result of additional placements in the period and further pressure within Targeted Support since the service has been unable to benefit from cost efficiencies expected following new grant funding.

2.3.5. Education Improvement is forecasting a pressure of £1.1m, an adverse movement of £0.2m from Period 8. This new pressure reflects a forecast shortfall against budgeted income within the Trading With Schools service.

2.4. Resources Directorate

2.4.1. The Resources Directorate reports no change to forecast at Period 9. The directorate continues to forecast a £2.0m (4.6%) adverse variance against a revised budget of £46.6m. 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.

2.5. Growth and Regeneration

2.5.1. The Growth & Regeneration Directorate reports no change to forecast at Period 9.

2.5.2. The directorate has highlighted a further potential £0.6m net risk which mainly relates to shortfalls in income from recharges within the Energy service. 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 £m	2022/23 Savings reported as safe £m	2022/23 Savings reported as at risk	
			£m	%
People	10.3	7.8	2.5	24
Resources & Cross-Cutting	7.1	6.8	0.3	3
Growth and Regeneration	7.0	6.3	0.7	10
Total	24.4	20.9	3.5	14

- 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 9 £20.9 million (86%) of savings are considered safe. This includes £3.6m of optimism bias funding (previously approved in-year). £3.5 million (14%) 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 £0.6m million, a reduction of £0.6m from P8/Q3. Of significance is the risk of a £0.6m shortfall within the Energy service against budgeted 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	Director Office	Risk	Reduction in Planning fee income	(150)	95%	(143)
EoP	City Design	Opportunity	Use of Work In Progress income to mitigate reduction in planning fee income	(80)	95%	(76)
EoP	Development Management	Risk	Shortfall in Markets income	(319)	10%	(32)
PAI	Property Management	Opportunity	Rent Reviews Income	(500)	95%	(475)
PAI	Energy	Risk	Income pressure - recharges	1,200	50%	600
MOP	BOC	Opportunity	Increased income	(6)	5%	(0)
MOP	Harbours	Opportunity	Increased income	(50)	50%	(25)
MOP	Highways	Risk	Income pressure - car parking	65	95%	62
MOP	Highways	Risk	Cost pressure - St Lighting energy	456	95%	433
MOP	Culture	Risk	Income pressure - Bottle Yard	333	90%	300
Total - REVENUE				949		644

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

Table 6

<i>Period 9 Exception - Summary</i>	2022/23 Revised Budget	Q3 Variance	Q3 Variance as % Net Budget	P9 Exceptions	P9 variance	P9 Variance as % Net Budget
	£000's	£000's	%	£000's	£000's	%
RING FENCED BUDGETS						
Total Housing Revenue Account	112,600	7,956	7.1%		7,956	7.1%
Total Public Health	34,600	-	0.0%		0	0.0%
Total Dedicated Schools Grant	423,400	18,824	4.4%		18,824	4.4%
Total Ring fenced budgets	570,600	26,780		0	26,780	

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 Q3/Period 8 and Period 9. This continues to project an £8.0m (7.1%) adverse outturn at the end of the financial year when compared to budget and will be contained within the HRA general reserves of £102.2m.

5.3. The Dedicated Schools Grant

5.3.1. At the end of Period 9 the DSG is not reporting any material variance from Q3/Period 8 which remains at £18.8m (4.4%) compared to budget. 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. This forecast is in line with the DSG cumulative deficit position outlined in the March 2022 budget report.

5.4. The Public Health Grant

5.4.1. At the end of period 9 Public Health continues to report no variance to budget.

6. CAPITAL SUMMARY

6.1.1. The Capital programme full year budget at period 9 is £220.5m and comprises £152.3 million for General fund (excluding a corporate contingency of £11.1m) and £68.2 million for the HRA. The forecast variation against the budget at Period 9 is a £4.1 million underspend within the General fund and a £1.3 million overspend within the HRA, as set out in the Table 7 below:

Table 7

Approved Budget (Mar 22)*	Budget Changes upto P9	Directorate	Revised Budget	Actual Spend to date	Budget Spend to date	P9 Forecast Outturn	Variance
£m	£m		£m	£m	%	£m	£m
25.1	(3.7)	People	21.4	11.0	51%	21.4	0.0
7.9	(5.8)	Resources	2.1	0.9	43%	2.1	0.0
132.1	(3.3)	Growth and Regeneration	128.8	75.9	59%	124.7	(4.1)
165.1	(12.8)	GF service Total	152.3	87.8	58%	148.2	(4.1)
122.7	(54.5)	Housing Revenue Account	68.2	35.5	52%	69.5	1.3
122.7	(54.5)	HRA service Total	68.2	35.5	52%	69.5	1.3
287.8	(67.3)	HRA & GF Service Total	220.5	123.3	56%	217.7	(2.8)
12.7	(1.6)	Corporate Contingencies & Funds	11.1	0.0	0%	0.0	(11.1)
300.5	(68.9)	Capital Programme Grand Total	231.6	123.3	53%	217.7	(13.9)

6.1.2. The actual spend to date at Period 9 is low at £123.3m (53% of total revised full year budget). This factor when considered against previous year spend trend information (£167m 2021/22 and £166m 2020/21) would indicate that the Period 9 2022/23 full year forecast of £217.7 million is optimistic.

6.1.3. The HRA overspend can be contained by re-profiling the HRA five-year capital programme and financing plans should the need arise.

6.1.4. As referred to in the previous monitoring report the total funding for the heat networks is £53.4m (P7 Budget Monitoring Exception Report, section 6.3). This comprised of PWLB £22.7m, grants of £22.5m and connection fees of £8.2m. The estimated funding requirement to 31 March 2023 was £26m of borrowing (£24m to 31 December 2022). This required the Heat Network budget to

be revised accordingly with the additional £3.3m being funded from the Council's capital contingency.

The transfer of the Heat Networks to the City Leap partner took place on the 4th January 2023 with the Council borrowing repaid, resulting in £3.3m of capital funding being released.

Approval is sought to realign the budgets accordingly noting that the £3.3m of Council capital contingency is returned for future capital spending pressures.

- 6.2. Further detailed reviews of projects and programmes are planned to ensure delivery of schemes are accurately reported.

7. COUNCIL TAX REDUCTION ADDITIONAL SUPPORT SCHEME 2023/24

7.1. On 23 December 2022 the Department for Levelling Up, Housing and Communities (DLUHC) announced additional funding of £100 million to local authorities to support the most vulnerable households in England. This funding allows councils to deliver additional support to the 3.8 million households already receiving Council Tax Reduction (CTR).

7.2. Bristol has been awarded £885,177 to assist c.13,500 households that are, or who be, in receipt of partial CTR or potentially full CTR throughout the financial year 2023/24. The grant is in recognition of the impact of rising bills and to support economically vulnerable households in their area with council tax payments. The scheme will apply to working and pension age households. See Appendix A2 for details.

It is recommended to use the whole fund, both the estimated mandatory element of £0.337m and the estimated £0.548m discretionary element, to assist c.13,000 low income CTR households with assistance of up to £75 per household. This would be the most efficient and effective way of assisting this cohort and would also assist the council in being able to help people with one of their largest bills from the beginning of 2023/24, and free up some resilience to assist those with other cost of living pressures.

8. EXTERNAL FUNDING DECISIONS

8.1. Western Harbour Masterplan and Infrastructure Delivery Plan project.

The council has submitted a bid totalling £5.6m seeking funding from the Combined Authority for the development of the above-named project.

The technical work that will be undertaken as part of the project to be funded will include four mutually informing workstreams:

- 8.1.1. Development of a Masterplan for the area;
- 8.1.2. Development of an Outline Business Case for the Infrastructure Delivery Plan that supports the renewal and / or replacement of life-expired key elements of the highway network;
- 8.1.3. Community and stakeholder engagement and consultation; and
- 8.1.4. Programme coordination with adjacent and interdependent schemes and the Harbour Authority.

Cabinet is asked to note both the submission of the bid (following Finance due diligence), and that a separate report will be coming to seeking approval (if successful) to accept and spend the funds in line with the details that will be outlined in such report.