

Decision Pathway – Report



PURPOSE: Key decision

MEETING: Extraordinary Cabinet

MEETING DATE: 15 May 2023

TITLE	2022/23 Finance Provisional Outturn Report		
Ward(s)	n/a		
Author: Jemma Prince	Job title: Finance Business Partner – Planning and Reporting		
Cabinet lead: Cllr Craig Cheney	Executive Director lead: Denise Murray		
Proposal origin: Other			
Decision maker: Cabinet Member			
Decision forum: Cabinet			
Purpose of Report: Bristol City Council's (the council) budget for 2022/23 was agreed by Full Council in March 2022. This report informs Cabinet about the council's financial performance for the 2022/23 financial year against that approved budget. It also highlights the movement from the previous forecast for the year which was reported to Cabinet on an exception basis in March 2023, informs Cabinet about the delivery of intended savings for the year and sets out the intended reporting cycle for the 2023/24 financial year.			
Evidence Base: The budget approved by Full Council in March 2022 outlined a 5-year balanced position and recognised a degree of uncertainty and sensitivity in relation to the post pandemic social, economic and financial conditions, and risk to the Council's finances. In 2022/23 the council faced a challenging financial environment. The ongoing fallout of the pandemic combined with the global impact of war in Ukraine, worldwide supply issues (such as those for food and gas) and labour shortages have led to increased inflation and a cost-of-living crisis. The impact of these compounded factors has been an increase in demand for the council's core services, pay related cost increases and commodity price escalation (for example, the cost of energy and capital investment). In the first half of 2022/23 (Quarter 2) after application of £10.6 million opening technical budget virements, to mitigate growing pressures in the general fund, it was necessary to initiate £9.5 million (excluding £0.5m of corporately held savings) in year recovery activities / savings to replace or supplement approved savings integral to the original budget assumptions. It was also necessary to request approval for £27.5 million of mitigating funds (comprising £13.6m from earmarked reserves, £4.7 million from general reserves and a further £9.2 million redirection of corporate contingencies). The second half of 2022/23 to the last published outturn forecast at Period 10, indicated up to a further £14.9 million of emerging pressures / risks (indicating a potential annual service variation of up to £62.5m). It was advised that further supplementary estimates would be required to bridge any outturn residual gap. At 31 March 2023 the provisional closing financial position for the respective funds are as follows: General Fund Budget The original budget agreed by Full Council in 2022 was £431.1 million. The total service variation from the original budget (after a final application of £1.6m savings optimism bias on in year recovery savings), is £57.9 million (compared to £62.5m P10). This comprises of non-delivery of previously agreed savings and new growth and demand pressures driven by the current social and economic conditions. These movements are outlined in Appendix A7 and are largely mitigated as outlined above.			

The original budget of £431.1 million has been increased by £12.8 million to £443.9 million, due to a net unplanned movement of general and earmarked reserves. The further movement in service budget pressure P6 to P12 amounted to £10.3 million (compared to £14.9m forecasted risks reported in P10). This is largely driven by additional need and pricing for children's placements and energy cost increases. After the realignment of further corporate budgets such as corporate expenditure surplus and capital financing underspends, the provisional net general fund outturn expenditure is £446.9 million, which compared to the latest revised budget of £443.9 million is an expected in year overspend of £3.0 million (0.7% of the revised budget).

It is recommended that the £3.0 million residual overspend be funded from a drawdown from the general fund general reserve.

Savings

£24.2 million of previously agreed savings were planned for delivery within the 2022/23 budget. Of these £16 million (66%) are delivered with £8.2 million (34%) not being achieved in year as planned. Of the £8.2million, £0.5 million (2%) of savings were deemed to not be deliverable and were written off in the 2023/24 budget process. The impact of this has been partially mitigated during the year utilising £4.1million of the savings / optimism bias contingency and or reserves.

Alternative recovery activity/savings of £10.0 million (allowing for £0.5m of corporately held savings) were identified, where original plans were predicted to not achieve targeted savings. Of the in-year recovery savings £8.4 million (84%) were delivered. The residuals were mitigated on a one off basis utilising a further £1.6 million of the savings / optimism bias contingency.

Within the recovery activity £0.9 million of recurrent savings is not delivered and will be combined with the residual £7.7 million from the original savings plan. This will result in £8.6 million being carried forward to be delivered on a recurrent basis to achieve a balanced budget in 2023/24. See Appendix A2 for further details.

Housing Revenue Account

The Housing Revenue Account (HRA) of £128.1 million gross expenditure budget, is reporting a net outturn overspend of £2.8m (2.1%) (£6.4m reported in P10), which is primarily attributed to increases in energy costs and additional investments for fire safety works.

Dedicated Schools Grant

The Dedicated Schools Grant (DSG) budget, including amounts recouped by the Education and Skills Funding Agency for Academies, is £422.7 million. The outturn position is an overspend of £15.0 million (3.6%) in-year deficit (compared to £17.4m reported in P10). The main financial challenge continues to be the High Needs block, which has an in-year overspend of £16.2 million (carry forward deficit of £42.5m) resulting from increases in Education, Health and Care Plan assessments and need; this is offset by underspends across the other blocks (mainly ringfenced) totalling £2.8 million. This will be added to the 2021/22 carried forward deficit of £24.7 million and a total £39.7 million (9.4% of annual DSG) will be carried forward in 2022/23, in the DSG deficit reserve.

Public Health

The Public Health (PH) budget is £34.6 million and a balanced position has been achieved (unchanged from P10).

Capital Programme

The Capital Programme outturn is £198.7 million which is an underspend of £28.4 million (13%) compared to the revised budget of £227.1 million (and an underspend of £110.5m (36%) when compared to the original budget of £309.2m, or £101.8 million (34%) when compared to £300.5m excluding the Housing Company programme's sale of land). The underspend is made up of £8.2 million underspend on the HRA capital programme and £20.2 million underspend on General Fund Capital inclusive of £0.1 million underspend on corporate contingencies. This is largely due to external factors, delays, and variations to schemes with spend profiles that span across a number of financial years. See Appendix A6 for outturn by scheme.

This is the provisional outturn (See Appendix A1 (revenue) and Appendix A6 (capital) for further revenue and capital details on the key budget forecasts and variances by Directorate). Work continues on final balance sheet movements and reconciliations to close the council's 2022/23 accounts. The final statement of accounts will be presented to Audit Committee in May 2023 and will include a full reconciliation of all movements between the provisional report and the final statement.

Financial Reporting for the Financial Year 2023/24

It is proposed that the financial reporting timetable for the 2023/24 financial year be as set out in Appendix A3. This includes detailed quarterly financial reports being presented to Cabinet in July, October and January, with a provisional outturn report being presented May 2024 and the Statement of Accounts presented to the Audit Committee May 2024. The timetable also schedules exception reports that will be presented to the residual cabinet meetings to incorporate, for example, late grants allocated to the council which require a cabinet decision or material financial movements to be noted by cabinet.

Cabinet Member / Officer Recommendations:

That Cabinet notes:

1. The council's revenue outturn position of £3.0 million overspend within the General Fund, to be funded from the General Fund general reserve (see section 2 in Appendix A1).
2. The council's outturn position of £2.8 million overspend within the Housing Revenue Account to be funded from the HRA general reserve (see section 5 in Appendix A1).
3. The council's outturn position of net £15.0 million overspend in the Dedicated Schools Grant and a total £39.7 million carried forward in the DSG deficit reserve (see section 6 in Appendix A1).
4. A breakeven position on Public Health services (see section 7 in Appendix A1).
5. The council's capital outturn position of £28.4 million underspend against the revised Capital Programme Budget as set out in (see section 8 in Appendix A1 and Appendix A6).
6. The in-year collection levels for Council Tax and Business Rates as set out in the report (see section 9 in Appendix A1)
7. The level of aged debt as at 31 March 2023 (see section 10 in Appendix A1)
8. Use of reserves and draft closing reserve balances (see section 11 in Appendix A1)
9. The performance on delivery of savings (as summarised in section 4 in Appendix A1 and detailed in Appendix A2)
10. The Reserves Policy as approved in the Medium Term Financial Plan and set out in Appendix A4
11. the Finance Scheme of Delegation amended for administrative changes as set out in Appendix A5

That Cabinet Approve:

12. The drawdown from the General Fund general reserve to balance the outturn position (see section 1 in Appendix A1).
13. The drawdown of £2.8 million from the HRA general reserve (see section 5 in Appendix A1).
14. Approve the release of £28.3 million corporate funds as approved in the 2022/23 budget and Quarter 2 report but not initially allocated to directorate cash limit (see section 3 in Appendix A1)
15. Approve the release of unused one-off funds of £3.8 million to be released from the balance sheet to the Income & Expenditure account to smooth the debt and other impairment (see section 3 in Appendix A1)
16. The creation of two new Clean Air Zone reserves to account both for the grant fund of £5.1 million and for any operational surplus (£8.4m) (see section 11 in Appendix A1).
17. The creation of one new reserve to account for the grant fund of £0.9 million for the Family Hubs & Start for Life Programme.
18. The use of the Capital Financing underspend of £4.3 million for Digital, Business Transformation and Change projects in lieu of Flexible Use Of Capital Receipts (see section 11 in Appendix A1).
19. The revised financial reporting timetable for 23/24 as set out in Appendix A3.

Corporate Strategy alignment:

1. The Corporate Strategy underpins the council's budget.

City Benefits:

1. Cross priority report that covers whole of council's business
Consultation Details: n/a
Background Documents: https://www.bristol.gov.uk/council-spending-performance/council-budgets

Revenue Cost	See above	Source of Revenue Funding	Various
Capital Cost	See above	Source of Capital Funding	Various
One off cost <input type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:		
1. Finance Advice: The resource and financial implications are set out in the report.		
Finance Business Partner: Jemma Prince, 27 April 2023		
2. Legal Advice: The report for the period 2022/23 complies with Council's legal obligation to deliver a balanced budget. There are no specific legal implications in respect of the decisions set out in the report.		
Legal Team Leader: Husinara Jones Team Manager/Solicitor 27 April 2023		
3. Implications on IT: There is no direct impact on IT arising from this report. IT will continue to actively manage its budgets and looking to identify further efficiencies where possible.		
IT Team Leader: Gavin Arbuckle, 27 April 2023		
4. HR Advice: As this is ostensibly a technical report for accountancy purposes, no HR implications are evident from the recommendations.		
HR Partner: James Brereton, Head of Human Resources, 27 April 2023		
EDM Sign-off	Denise Murray	27 April 2023
Cabinet Member sign-off	Cllr Craig Cheney	27 April 2023
For Key Decisions - Mayor's Office sign-off	Mayor's Office	4 May 2023

Appendix A – Further essential background / detail on the proposal See appendices A1-A7	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	NO
Appendix E – Equalities screening / impact assessment of proposal	NO
Appendix F – Eco-impact screening/ impact assessment of proposal	NO
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – Exempt Information	NO
Appendix J – HR advice	NO
Appendix K – ICT	NO
Appendix L – Procurement	NO