Bristol City Council 2022/23 Provisional Outturn Report

1. Executive Summary

1.1. This report provides provisional information and analysis on the council's financial performance and use of resources in the 2022/23 financial year, in comparison to the budget set by Council on 2 March 2022.

1.2. This report precedes publication of the council's draft Statement of Accounts on 31 May 2023. Although it is not expected that any further significant adjustments will be required between this cabinet and publication on 31 May, it is possible that the final outturn position might vary, for example following the review and finalisation of balance sheet activities in line with accounting regulations. Although the Outturn Report and Statement of Accounts reconcile to one another, it is the statutory Statement of Accounts on which the audit opinion is given.

1.3. The key areas covered in this report are revenue, capital, core funding, debt management, reserves and savings and it also highlights the movement from the previous forecast for the year, which was reported to cabinet on an exception basis in Period 10 (P10). For this report, an 'underspend' is the difference when comparing budgeted allowance to actual expenditure incurred and a 'cash surplus' refers to additional cash in-flows against which no budgeted expenditure has yet been agreed.

1.4. The 2022/23 budget recognised that the financial implications of the pandemic would continue into this year and beyond. Areas materially affected were mainly in relation to Adult and Children Social Care, Home to School Transport, homelessness, energy and income collection. When the budget was set, additional growth funding was made available to support further pressures, including expectations of growth in demand for services as an impact of the recovery from the pandemic, inflation trends accelerating beyond national targets and wholesale energy prices beginning to increase rapidly from the second half of 2021 onward. The 2022/23 budget included £50.9 million of service and corporate growth, (of which directly allocated growth equated to £28.9m and corporately held growth totalled £22.0m), funded via a significant level of the council's own resources (made available through reserves, savings and mitigations).

1.5. The initial service pressures outlined in the budget have, however, been further exacerbated by global, national and local events that have affected prices, supply chains, labour and need across all council services and funds. The impact of the additional financial support required in 2022/23 including opening technical budget virements is £57.9 million. This is akin to that experienced in the two pandemic years 2020/21 and 2021/22 (circa £75m & £57m respectively), and when added to the growth directly allocated in the budget (£28.9m) equates to £86.8 million pressure in 2022/23. However, unlike the two preceding years, no additional specific financial reliefs or grants have been provided in-year for local government to address this. Consequently, the council has had to follow a prudent strategy of utilising any unused resources to smooth the impact on current and future years combined with savings and efficiencies mitigations, and where practical has included reviewing front-line service provision.

1.6. The council operates directorate cash limits and where unavoidable pressures are identified, that cannot be mitigated at a directorate level, collective ownership is taken. Where appropriate, funds are held in abeyance, subject to mitigations or a supplementary estimate being agreed, to minimise significant variations to net approved budgets. Where budget savings are not achieved in a timely manner and reserves are called upon to achieve a balanced position, further savings are identified and implemented to ensure the council's future financial stability is maintained.

General Fund

- The original budget agreed by Council in March 2022 was £431.1 million

- The budget has been increased by £12.8 million to £443.9 million due to a net movement of general and ear-marked reserves
- The provisional net General Fund outturn expenditure is £446.9 million which when compared to the last revised budget of £443.9 million (original budget £431.1m) gives an expected in-year overspend of £3.0 million (0.7% of both original and last revised budget).
- It is recommended that this overspend is funded from a drawdown from the General Fund general reserve

Ring-Fenced Accounts

- Housing Revenue Account (HRA) of £128.1 million gross expenditure budget, outturn is an overspend of £2.8 million (2.1%) (£6.4m reported in P10)
- 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 £15.0 million (3.6%), in-year deficit (compared to £17.4m reported in P10). This will be added to the 2021/22 carried forward deficit of £24.7 million and a total of £39.7 million (9.4% of annual DSG) will be carried forward in 2022/23, in the DSG deficit reserve
- The indicative Public Health grant outlined in the budget approved by Council (prior to actual grant notification) is £33.6 million. The budgeted grant has been revised to £34.6 million, reflecting an uplift of £1.0 million in the actual grant award and no variation is forecast (unchanged from P10)

Capital Programme

1.7. The Capital Programme is reporting an outturn of £198.7 million. This is an underspend of £28.4 million (13%) compared to the revised budget of £227.1 million and an underspend of £110.5 million (36%) when compared to the original budget of £309.2 million (or £101.8m 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.

1.8. This report focuses on 2022/23, however it is anticipated this outturn will have a further impact on the council's finances for 2023/24 and beyond, alongside the likely scale of funding pressures and future resource reductions, which were outlined in the 2023/24 budget report. It is important that the council has a strong focus on savings delivery, holds a robust position on reserves and maintains the ability to deal with issues that arise during the financial year. The retention of an appropriate level of general reserves is essential to mitigate financial risk (including future funding uncertainties and expenditure pressures caused by high inflation and changes in social care legislation) and is a key indicator of sound financial governance.

2. Revenue Budget Summary

General Fund Summary

2.1. 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. This comprises of opening technical budget virements for items such as previously estimated non containable inflation held corporately, non-delivery of previously agreed savings and new growth and demand pressures driven by the current social and economic conditions. Full details of these movements are outlined in Appendix 7. £47.6 million of mitigations have been applied during the course of the year in budget reports and are summarised as follows:

- additional savings initiatives of £9.5 million (adjusted in the recovery schedule to £10.0m to allow for £0.5m of corporately held savings);
- earmarked and general reserves £18.3 million; and

- corporate funding and contingencies £19.8 million (including £10.6 million opening technical budget virements and other inflation, optimism bias funds etc).

2.2. The last published outturn forecast was at P10. This reported up to a further £14.9 million of emerging funding pressures/risks (indicating a potential annual service variation of up to £62.5m). Supplementary estimates for up to £5.7 million were approved at Full Council on 21 February, to be funded via a range of sources including up to £3.9 million draw down from the General Fund general reserve. At the same time, it was reported that further need and associated financial challenges were continuing to emerge within Children and Families and Education and additional funding applied. It was advised that further supplementary estimates may be required at the year close to bridge any outturn residual gap.

2.3. The further movement in service budget pressure between 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).

2.4. The table below provides a summary of how each directorate performed against the 2022/23 approved and revised budget.

Table 1: General fund expenditure

2022/23 Outturn - Summary

SERVICE NET EXPENDITURE SUMMARY	Full Year 2022/23				Period 10 Forecast			Movement since P10		
	Approved Budget	Revised Budget	Outturn	Projected Outturn Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
	£000s			£000s	£000s			£000s		
1 - People										
14 - Adult Social Care	165,389	177,954	177,938	(16)	174,219	175,597	1,378	3,735	2,341	(1,394)
15 - Children and Families Services	72,073	85,819	92,305	6,486	83,446	90,931	7,484	2,373	1,374	(998)
16 - Educational Improvement	15,454	20,086	20,722	636	17,725	18,884	1,159	2,361	1,838	(523)
18 - Management - People	(5,431)	0	9	9	0	0	0	0	9	9
36 - Communities and Public Health - General Fund	4,886	6,337	5,893	(443)	6,436	6,043	(393)	(100)	(150)	(50)
3B - Communities and Public Health - Other Grants	0	4,805	4,824	19	0	0	0	4,805	4,824	19
Total 1 - People	**252,371**	**295,001**	**301,690**	**6,690**	**281,827**	**291,455**	**9,627**	**13,174**	**10,236**	**(2,938)**
2 - Resources										
21 - Digital Transformation	13,258	17,075	17,798	723	14,937	16,064	1,127	2,138	1,734	(404)
22 - Legal and Democratic Services	13,924	16,429	16,122	(307)	15,241	14,890	(351)	1,188	1,232	44
24 - Finance	8,418	10,544	10,466	(78)	8,558	9,342	784	1,986	1,125	(862)
25 - HR, Workplace & Organisational Design	4,144	5,773	5,400	(373)	4,477	4,117	(360)	1,296	1,283	(13)
26 - Management - Resources	(2,127)	(562)	115	677	(1,689)	(701)	988	1,126	815	(311)
28 - Policy, Strategy & Partnerships	4,931	5,625	5,338	(287)	4,868	4,680	(188)	758	658	(99)
Total 2 - Resources	**42,547**	**54,884**	**55,239**	**355**	**46,392**	**48,392**	**2,000**	**8,492**	**6,847**	**(1,645)**
4 - Growth & Regeneration										
37 - Housing & Landlord Services	17,639	20,775	21,294	519	20,268	21,119	852	507	175	(333)
46 - Economy of Place	4,982	672	657	(15)	4,782	4,493	(289)	(4,110)	(3,836)	274
47 - Management of Place	1,835	(3,441)	(4,081)	(640)	1,700	1,819	120	(5,141)	(5,900)	(760)
4A - Management - G&R	(2,360)	(80)	0	80	(80)	(80)	0	0	80	80
4B - Property, Assets and Infrastructure	39,733	44,866	48,253	3,387	44,260	46,872	2,612	607	1,381	774
Total 4 - Growth & Regeneration	**61,829**	**62,792**	**66,123**	**3,331**	**70,929**	**74,224**	**3,295**	**(8,136)**	**(8,101)**	**36**
SERVICE NET EXPENDITURE	**356,747**	**412,677**	**423,052**	**10,375**	**399,147**	**414,070**	**14,923**	**13,529**	**8,982**	**(4,547)**
X2 - Levies	10,866	10,866	10,867	1	10,866	10,222	(644)	0	645	645
X3 - Corporate Expenditure	35,396	7,105	2,447	(4,658)	(6,320)	(6,323)	(3)	13,425	8,770	(4,655)
X4 - Capital Financing	22,495	13,797	11,641	(2,156)	18,960	13,223	(5,738)	(5,163)	(1,582)	3,582
X9 - Corporate Allowances	5,595	(502)	(1,079)	(577)	2,480	1,480	(1,000)	(2,982)	(2,559)	423
TOTAL REVENUE NET EXPENDITURE	**431,100**	**443,943**	**446,929**	**2,985**	**425,135**	**432,672**	**7,538**	**18,808**	**14,256**	**(4,552)**

* The revised budget has increased due to net movement from reserves before final technical adjustments required to close the accounts

2.5. The primary explanations for the outturn variations are identified in the sections below. The forecast outturn is within the parameters of the supplementary estimates as approved by Full Council and it is recommended that, following confirmation as part of the statement of accounts, this overspend (provisional £3.0m) will be funded from a drawdown from the General Fund general reserve.

People Directorate

Adult Social Care

2.6. The Adult Social Care (ASC) directorate reported an end of year balanced position against its revised budget of £178.0 million. The improvement of £1.4 million from the P10 forecast is driven by improvement in governance and cost management on adult purchasing budgets, along with spend control and mitigating actions in other non-adult purchasing budget areas.

2.7. It should be noted that ASC received in year supplementary estimates totalling £2.8 million to support in year pressures and initiated additional savings activities totalling £2.1 million. It also received opening technical budget virements of £3.4 million to adjust for inflation and 21/22 pay awards. Without these budget revisions, the ASC directorate would have overspent by a £8.3 million.

2.8. There are several areas that led to the improvement in the financial position in the final months of the year, these include: greater delivery of savings than previously forecast; additional funding received in relation to People Major Systems Programme £0.2 million; housing related support of £0.4 million; improved property income of £0.2 million; a reduced internal recharge in relation to the Emergency Duty Team of £0.2 million and adult purchasing budget changes of £0.3 million along with other smaller movements totalling £0.1 million.

2.9. The main variances were as follows:

Table 2: Adult Social Care outturn position 2022/23

	Revised Budget 2022/23	2022/23 Actual @ P12	Budget Variance @ P12	Change from P10
	£000s	£000s	£000s	£000s
Adult Purchasing				
Older Adults 65+	72,744	76,866	4,122	995
Working Age Adults 18-64	85,095	89,925	4,831	(864)
Preparing for Adulthood	9,726	11,431	1,704	(309)
Social Care Support	2,660	2,947	287	4
Income - Service User Contribution Only	(25,582)	(27,033)	(1,451)	(90)
Total Adult Purchasing	**144,644**	**154,136**	**9,492**	**(262)**
Non Adult Purchasing				
Employees	37,850	35,599	(2,251)	(91)
Other - Net	(4,539)	(11,797)	(7,257)	(1,040)
Mitigations	-	-	-	-
Total Non-Adult Purchasing	**33,310**	**23,802**	**(9,509)**	**(1,131)**
Total per budget report	**177,954**	**177,938**	**(16)**	**(1,394)**

Adult purchasing budgets £9.5 million overspend

2.10. **Working Age Adults** is a growing area of demand for ASC, with increased numbers of people being supported at a significant and increasing cost to the council. These budgets overspent by £4.8 million which mainly relates to pressures in accommodation-based support which overspent by £2.3 million; overspends in residential placements of £1.3 million; and in nursing care home placements of £0.2 million and home care overspends of £0.7 million. Other overspends total £0.3 million.

2.11. Demand increase: the service was supporting 2,607 people at the end of the financial year, in comparison to the 2022/23 budget which had assumed funding for 2,485 people. Increased numbers of people supported during the year and the delays to planned savings delivery was a significant factor in the overspend position.

2.12. **Older Adults** overspent by £4.1 million which mainly relates to overspends in nursing placements of £2.9 million; home care costs with an overspend of £1.9 million and residential care home placements with an overspend of £0.3 million. Other small overspends accounted for £0.2 million. These were offset by underspends on extra care housing of £1.2 million.

2.13. The number of older people being supported was 2,613 at the end of the year in comparison to the 2022/23 budget which had assumed funding for 2,531 people.

2.14. **Other Non-Adult** purchasing budgets £7.3 million underspend mainly relating to underspends on in-house services and other income. Employee budgets underspent by £2.3 million.

Future risks and opportunities

2.15. There remains a significant challenge to deliver savings and achieve a sustainable financial position in ASC for 2023/24 and beyond. Bristol continues to be considered a high spender in comparison to other authorities and there is an expectation that value for money and financial sustainability should be a focus of further significant improvement.

2.16. ASC faces significant challenges from:

- Underlying pressures from adult purchasing budgets which overspent by £9.5 million in 2022/23. Whilst budgets were increased by £5.7 million in 2023/24 to reflect service pressures across the whole of Adult Social Care, there remains much work to improve cost efficiency and to achieve a financially sustainable position
- The need to deliver savings brought forward from 2022/23 estimated to be c.£2.3 million combined with £6.4 million of new savings in 2023/24
- Inflationary pressures which continue to affect the social care market and drive provider costs - £17.1 million of inflation has been applied to 2023/24 ASC adult purchasing budgets
- Social Care workforce challenges, due to the inability to recruit and retain staff across the sector

Children's and Family Services

2.17. The Children's and Family Service is reporting an overspend of £6.5 million on a revised budget of £85.8 million. This represents a £1.0 million improvement from the P10 forecast position due primarily to budget adjustments from the optimism bias contingency for savings under delivered. The additional pressure is in the main due to an increased charge for the Emergency Duty Team of £0.2 million.

2.18. It should be noted that the C&F services received opening technical virements of £0.5 million to adjust for inflation and 21/22 pay awards; in year supplementary estimates totalling £9.9 million to support in year pressures; initiated additional savings activities totalling £1.2 million and latterly received a further £1.2 million optimism bias against those savings under delivered in the year. Without these budget revisions, the service would have overspent by £18.1 million.

2.19. The table below sets out the key variances in the year:

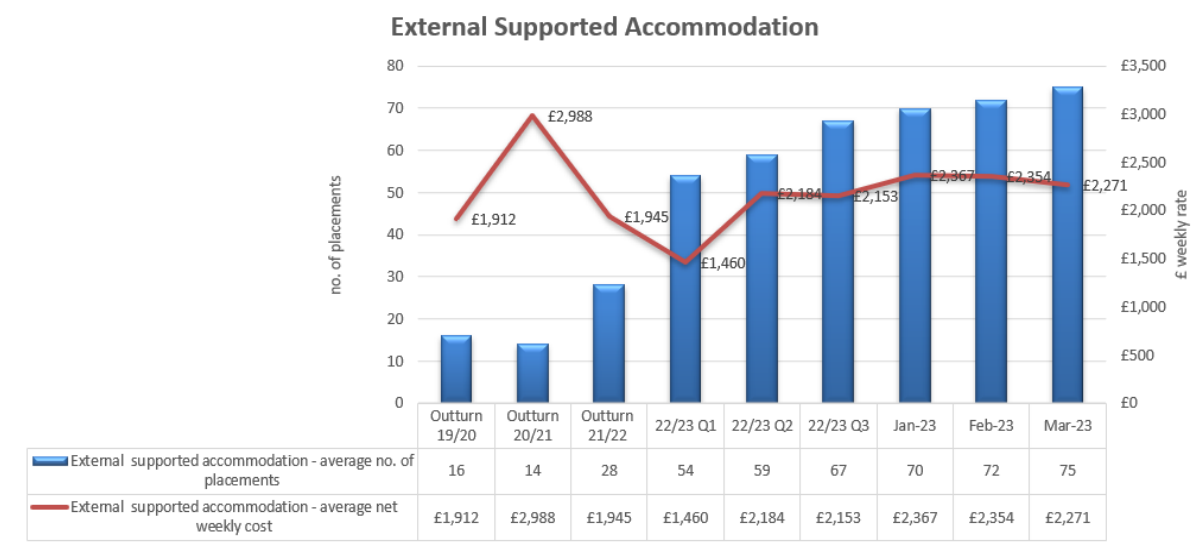
Table 3: Children & Family Services outturn position 2022/23

	Revised Budget 2022/23	2022/23 Actual @ P12	Budget Variance @ P12	Change from P10
	£000s	£000s	£000s	£000s
Placements				
External Supported Accommodation	5,056	8,819	3,763	(1,148)
In House Fostering	7,156	6,565	(592)	11
Independent Fostering Agencies	10,384	7,147	(3,237)	12
Inhouse Supported Accommodation	99	46	(53)	(13)
RO & SGO	4,601	5,770	1,169	(16)
Out Of Authority - Placements	9,365	15,612	6,246	(294)
Parent & Baby Unit - Citywide	1,371	1,056	(314)	193
Secure	148	4	(144)	2
Children's Homes	3,403	3,285	(118)	23
Post Adoption	381	297	(84)	(6)
Total placements	**41,963**	**48,600**	**6,637**	**(1,235)**
Mitigations				0
Total Internal & External Placements	**41,963**	**48,600**	**6,637**	**(1,235)**
Other non-placement related budgets	43,856	43,706	(151)	237
Total per budget report	**85,819**	**92,305**	**6,486**	**(998)**

2.20. The internal & external placements budget overspent by £7.8 million driven mostly by a reliance on expensive externally contracted provision. This was largely due to insufficient local provision capacity and an increase in demand for services.

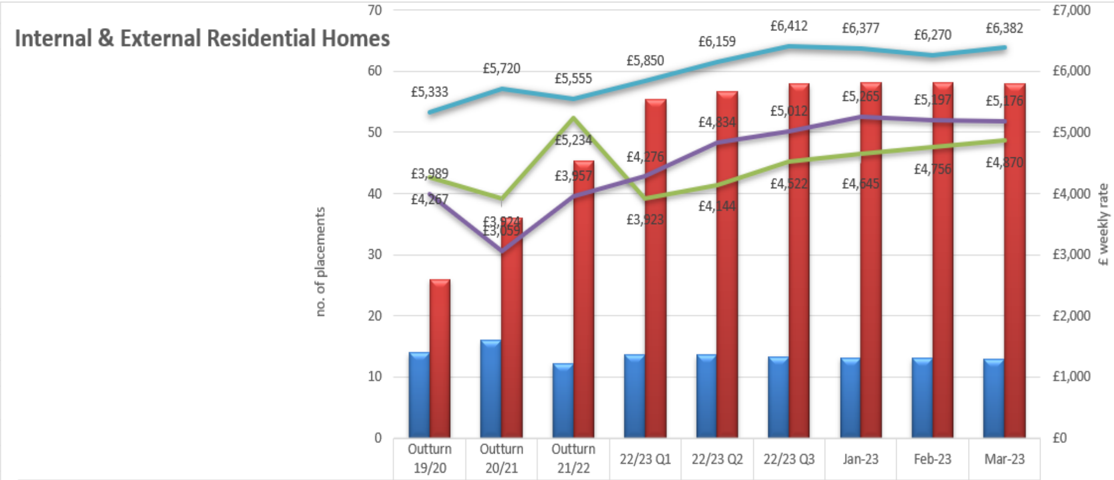
2.21. External supported accommodation remains an area of high pressure for the service with increasing costs and demand. The chart below sets out the growth in this area over the year and compares to previous years.

Table 4: External supported accommodation growth



2.22. Provision for residential placements has seen a similar trend in the past year as depicted below.

Table 5: Residential homes growth



	Outturn 19/20	Outturn 20/21	Outturn 21/22	22/23 Q1	22/23 Q2	22/23 Q3	Jan-23	Feb-23	Mar-23
Childrens residential homes - average no. of placements	14	16	12	14	14	13	13	13	13
Out of authority - average no. of placements	26	36	45	55	57	58	58	58	58
Childrens residential homes - average net weekly cost	£4,267	£3,924	£5,234	£3,923	£4,144	£4,522	£4,645	£4,756	£4,870
Out of authority - average net weekly cost	£3,989	£3,059	£3,957	£4,276	£4,834	£5,012	£5,265	£5,197	£5,176
Total weekly rate for out of authority (CSC, education, health)	£5,333	£5,720	£5,555	£5,850	£6,159	£6,412	£6,377	£6,270	£6,382

Future risks and opportunities

2.23. During the 2022/23 financial year there has been an increase in the number of placements made, resulting in significant additional cost. Actions to mitigate these pressures were implemented and whilst there were benefits realised as a result, they did not fully off-set the pressure. Placement numbers remain high at outturn, and this will have continued impact into the new financial year. If the trend in placement numbers continues to increase this will present significant additional risk to the placement budget through 2023/24 and beyond.

2.24. In addition to management of these pressures the service has outlined an ambitious transformation programme to be delivered in the coming financial year and beyond, with a triple bottom line; to strengthen the service and seek better outcomes for children, young people and families whilst working towards financial sustainability. There is high confidence in the programmes however existing pressures will present a further challenge to 2023/24 and this therefore remains a risk moving forward.

2.25. The risks and opportunities will continue to be managed throughout 2023/24, including seeking further synergies across the Children's directorate.

Education and Skills

2.26. The Education and Skills general fund position is £0.6 million overspent against a revised budget of £20.1 million. This represents an improvement of £0.5 million on the P10 forecast position, which is driven by additional internal and external incomes.

2.27. The total variance to budget includes opening technical budget virements of £0.8m to adjust for inflation and 21/22 pay awards, in year supplementary estimates amounting to £1.6 million and additional in-year savings mitigations of £0.5 million, without which the adverse outturn would have been £2.9 million higher at £3.5 million.

2.28. The overall adverse position, excluding these, is driven by Home to School Transport, where there is a significant pressure, with an outturn of £1.9 million overspend against a revised budget of £8.8 million. This is a direct result of the increased numbers of children with Education Health and Care Plans (EHCPs) requiring transport support, combined with an increasing reliance on education placements at distance from the home.

2.29. Accessible City also remains a key pressure area finishing the year at £0.6 million over the revised budget. This is driven by ongoing high demand in the Special Needs team.

2.30. Overspend variance of £0.2 million in Trading with Schools reflects challenging income targets that have not been realised in full during 2022/23.

2.31. PFI has recorded an annual cost increase of £1.7 million due to uplift in utilities costs in both contracts (BAM and Skanska). The council is working closely with the PFI schools to improve efficiencies through budget and contract management and minimise future pressures on the council.

Future risks and opportunities

2.32. The high number of children with EHCPs in the authority continues to present a risk of additional cost pressure to the service.

2.33. The Education Transformation and the Delivering Better Value (DBV) in SEND programmes present some opportunities in terms of efficiencies in Home to School Transport provision and the EHC assessments.

Resources Directorate

2.34. The full year outturn for the Resources Directorate is a net overspend of £0.4 million (0.7%) against the £54.9 million revised budget. This presents a £1.6 million improvement since the last published P10 forecast overspend of £2.0 million.

2.35. It should be noted that the resources services received opening technical budget virements of £1.3 million to adjust for inflation and 21/22 pay awards, in year supplementary estimates totalling £1.2 million to support in year pressures and initiated additional savings activities totalling £2.6 million. Without these budget revisions, the directorate would have overspent by £5.5 million. This position does however include £2.0 million budgeted target for cross-cutting management savings held on behalf of the council as a whole (outlined at section 2.41).

2.36. Digital Transformation division is reporting £0.7 million overspend against a revised budget of £17.1 million, this is an improvement of £0.4 million since P10. The £0.7 million overspend against budget is driven by an increase in the volume of Microsoft 365 licences required post-pandemic, reflecting the new ways of working adopted. In addition, there is an increase in Azure storage costs and usage of cloud storage for which there was no base budget. The £0.4 million improvement from P10 was from efficiencies achieved in the mobile devices and airtime contract through sim rationalisation and utilising existing Microsoft services for device management.

2.37. The Legal and Democratic division is reporting £0.3 million underspend against a budget of £16.4 million, with negligible movement since P10. The favourable variance to budget is mainly due to an increase in demand in the Registrars service, resulting in higher than planned fee income.

2.38. The Finance division closed the year with a net £0.1 million underspend against a revised budget of £10.5 million. This is an improvement of £0.9 million since P10. Compared to budget, there was additional cost of £1.0 million due to subsidy loss on Exempt Accommodation provided by the council which was mitigated/offset by a £0.2 million energy rebate, £0.1 million recovery of overpaid benefits and £0.8 million of staff vacancies and other efficiencies derived from income streams. The £0.9 million improvement since P10 is mainly attributable to staff vacancies and other agreed staff efficiencies ring-fenced to offset costs elsewhere no longer required, coupled with £0.1 million unexpected recovery of overpaid benefits.

2.39. HR, Workplace and Organisational Design closed the year reporting a net £0.4 million underspend against a budget of £5.8 million with negligible movement since P10. The underspend is due to £0.3 million of in-year mitigations/management actions taken to reduce cost pressures and £0.1 million increase in staff participation in the annual leave top-up scheme.

2.40. Policy, Strategy and Partnerships division closed the year with a £0.3 million underspend, representing a £0.1 million improvement since P10 forecast. The £0.3 million underspend against budget and the P10 movement are mainly due to an increase in project income related to activities by the Public Relations, Consultation and Engagement teams.

2.41. Resources directorate also held the £2.0 million cross-cutting management savings target on behalf of all the council's directorates. Having reduced the in-year expectation of delivery of this saving by £1 million to £1 million at P5, £0.3 million was eventually delivered so that the year-end variance was a £0.7 million shortfall. This was predominantly due to the one-off costs attached to delivery of these recurrent savings (including one-off redundancy costs linked to succession planning and departmental organisational changes).

Future risks and opportunities

2.42. In the year just concluded, digital transformation costs increased due to the volume of Microsoft 365 licences because of new ways of working and this growth is now reflected in the 2023/24 budget. The changing landscape around working poses additional possible risks/opportunities as the size of the organisation changes and will need to be monitored closely.

2.43. Across the directorate, various departments have plans to re-organise their structures in 2023/24. Estimated one-off costs associated with this are expected to be mitigated by savings achieved. Close monitoring of these activities is required in the year to ensure net savings embedded in the budget are achieved.

Growth and Regeneration

2.44. The Growth & Regeneration directorate is reporting a £3.3 million (5%) overspend for 2022/23 against a net revised expenditure budget of £62.8 million.

2.45. It should be noted that the Growth & Regeneration directorate received opening technical budget virements of £0.7 million to adjust for inflation and 21/22 pay awards, in year supplementary estimates totalling £7.0 million to support in year pressures and initiated additional savings activities totalling £2.7 million. Without these budget revisions, the directorate would have overspent by £13.7 million.

2.46. The £3.3 million reported is broadly in line with the P10 forecast, however the reasons are slightly varied in some services compared to what was anticipated at that time. The adverse outturn is due to the following:

- Increased costs of housing residents in temporary accommodation. Much of this cost pressure was addressed via a supplementary budget, with the remaining pressure to be mitigated through savings within the wider directorate. The net movement for the year (taking into account the supplementary budget adjustments) is an overspend of £0.5 million (Council approved a supplementary budget in Q2 and this both increased the base budget by £1.7m and allowed for "recovery actions" within the wider directorate to mitigate the balance of £0.8m)
- Increase in energy costs. Delays have been seen in implementing the new sleeving contract. The council has not been able to match energy generated with that consumed due to timing differences in generation vs usage, as well as price fluctuations resulting from the war in Ukraine, which has meant that the net cost of energy to the council has significantly increased. Council approved a supplementary budget in Q2 and this both increased the

base budget by £3.0 million and allowed for "recovery actions" within the wider directorate to mitigate the balance of £0.7 million, with £0.2 million held corporately to mitigate any further pressure. The net overspends for the year (after allowing for adjustment for the supplementary budget, concession payments and recharges to other clients – HRA, schools, etc.) total an additional £3 million (inclusive of street lighting)

- The shortfall in rental income from non-operational buildings - £0.8 million. This includes void space vacated by Bristol Energy. These now form part of the estate rationalisation strategy
- One-off redundancy costs, where the benefits are expected to materialise in 23/24
- These pressures are partially offset by a favourable movement in:
    - City Leap concession payment
    - Draw down from reserves to fund highways, grass and verges maintenance

Housing & Landlord Services

2.47. The division is reporting an overspend of £0.5 million against a revised budget of £20.8 million. This is a favourable movement of £0.3 million compared to an overspend of £0.9 million reported in P10, which is mainly due to the allocation of £0.4 million optimism bias against savings under delivery in year.

2.48. The adverse variance in the division reflects the on-going pressures within Housing Options in terms of homelessness demand. The Housing Options service is reporting an adverse variance of £1.1 million which is mainly due to subsidy loss of £5 million on homelessness expenditure. The council has experienced a sharp increase in post-pandemic nightly rate accommodation costs at commercial hotels, which are generally used as a last resort, but due to a lack of suitable supply of alternative accommodation, Bristol has relied on hotels on an increasing basis. The significant pressure in TA (Temporary Accommodation) demand and expenditure is partially offset by mitigating actions introduced in-year to reduce the budget gap.

Economy of Place

2.49. The division is reporting a £0.02 million underspend against a revised budget of £0.7 million. The forecast has adversely moved by £0.1 million against the P10 position. The drivers for these variances are:

- Staff redundancy costs
- Shortfall in planning income as well as adverse movement in advertising income achieved against P10 forecast
- Reduced staff costs recharged to capital projects

Management of Place

2.50. The division is reporting a £0.6 million underspend against a revised budget (of £3.4m). This represents a favourable movement of £0.7 million against P10 forecast. The main drivers for these variances are:

- Increase in energy costs due to increased energy price spikes since the second half of 2021/22 worsened because of the war in Ukraine, which have not been mitigated due to delays in the street lighting LED replacement programme - £0.4 million
- Increase in Bristol Operation Centre CCTV & staffing costs - £0.4 million
- Increase in Culture Services staffing costs - £0.3 million
- Funding of highways, grass and verges maintenance via a drawdown from earmarked reserves (subject to cabinet approval)

Property and Asset Strategy

2.51. The division outturn is £3.4 million overspend against a revised budget of £44.9 million. This represents an adverse movement of £0.8 million comparing to the P10 forecast. The drivers for these variances are:

- The increase in energy costs. The delay in implementing the new sleeving contract with Laser, our inability to match energy generated with that consumed due to timing differences, along with price fluctuations resulting from the war in Ukraine has meant that the net cost of energy to the council has significantly increased. Council approved a supplementary budget in Q2 and this both increased the base budget by £3 million and allowed for "recovery actions" within the wider directorate to mitigate the balance of £0.7 million, with £0.2 million held corporately to mitigate any further pressure. The net overspends for the year (after allowing for adjustment for concession payments and recharges to other clients – HRA, schools, etc. totals an additional £3 million - includes street lighting which sits under Management of Place)
- Shortfall in rental income from non-operational buildings of £1.1 million
- Non-achievement of Corporate Landlord savings, £0.5 million already built into the base budget in addition to sums held corporately
- Shortfall in BWC (Bristol Waste Company) income of £0.1 million
- Additional waste costs of £0.2 million

Future risks and opportunities

2.52. Energy prices and risks attached to continued inflation present an ongoing risk to the division. This will need to be monitored over the forthcoming financial year and opportunities around maximising benefits from sleeving and other arrangements captured.

2.53. There are significant programmes of savings and efficiency attached to both Temporary Accommodation and Property, Assets and Infrastructure presenting both a risk in terms of delivery challenges and opportunity. Property strategy is evolving and the programme of works for both will need to move forward at pace to ensure financial stability to these areas of the budget.

3. Corporate Expenditure

3.1. Levy charges as outlined in the table below are in line with budget for the year.

Table 6: Levy charges 2022/23

Financial Year 2022/23	Revised Budget	Actual at P12	Budget Variance at P12
X2 - Levies	**£'000**	**£'000**	**£'000**
EA Severn and Wye RFCC	3	3	-
Devon and Severn IFCA	43	43	-
EA Wessex RFCC	484	471	(14)
Lower Severn IDB	760	806	46
WECA Transport Levy	10,266	10,235	(31)
Public Health Levy Recharges	(690)	(690)	-
Total	**10,866**	**10,867**	**1**

Corporate expenditure and allowances

3.2. The key elements of the corporate expenditure budgets are summarised in the table below.

Table 7: Corporate expenditure and allowances 2022/23

Financial Year 2022/23	Revised Budget	Actual at P12	Budget Variance at P12
Division and Description	**£'000**	**£'000**	**£'000**
X3 – Corporate management direct charges	1,440	882	(558)
X3 – Impairment provision & other unforeseen items	5,090	60	(5030)
X3 – Insurance claims	-	1,238	1,238
X3 – Contract inflation	264	51	(213)
X3 – Unfunded pensions	2,490	2,570	80
X3 – Pay award	20	0	(20)
X3 – Transfer to/from reserves	(2,200)	(1,500)	700
X8 – Business Rates levy income	-	(855)	(855)
X4 – Capital financing	13,797	11,641	(2,156)
X9 – Optimism bias	263	(333)	(596)
X9 – Allowances and unallocated savings	(764)	(745)	19
Total	**20,400**	**13,009**	**7,391**

3.3. Many of the corporate funds contain a high degree of volatility/risk and are estimated and held initially in Corporate Finance cost centres and later allocated to directorates during the course of the year once actual allocations/pressures are verified. The exceptions being insurance claims liabilities, unfunded legacy pensions and impairment adjustments for debt streams beyond a financial year.

3.4. It should be noted that the allowances and unallocated savings budget received in year budget adjustments of £1.4 million to support crosscutting savings in the budget held centrally such as 'Reduce council-owned property' with targets only partially delivered in 2022/23.

3.5. The social and economic conditions and cost of living have placed significant pressures on directorates, resulting in an inability to contain the scale of pricing uplifts being experienced within many service budgets. In addition, due diligence on early savings propositions and other challenges have resulted in reduced delivery of savings and application of optimism bias contingency. £28.3 million of corporate expenditure approved in the budget but not initially allocated to directorate cash limits has been released to directorates. These are predominantly attributed to inflation, pay awards and savings optimism bias contingency. They have been allocated in line with the policy and reported periodically throughout the year, with full year impact by directorate summarised below.

Table 8: Corporate expenditure & allowances applied to directorate cash limits

Financial Year 2022/23	People	Resources	Growth & Regeneration	Total
Expenditure Type	**£'000**	**£'000**	**£'000**	**£'000**
Inflation	7,538	65	3,480	11,083
Pay award	4,235	3,123	3,935	11,293
Optimism bias / savings contingency	2,542	1,300	2,108	5,950
Total	**14,315**	**4,488**	**9,523**	**28,326**

3.6. During the year debt and arrears collection rates have reduced and trends in debt levels have continued to rise, and backlogs are still being experienced in the courts. This has resulted in a requirement to increase the provision for non-collection of debt and lost income from court summons (£2.9m). The predominant debt types driving the increased provision are adult social care (£1.8m), council summons income (£0.6m), Housing Benefit overpayment recovery (£0.4m) and other minor adverse movements. Work to review and collect static and aged debt continues, however a provision aligned to accounting guidelines ensures a prudent estimate is put aside in the event debt cannot be collected.

3.7. £1.2 million of insurance claims have been paid out and provided for during the year, and as per the collection fund surplus deficit report a £1.5 million budget hardship fund contribution to the increased cost of CTR and income loss in the 22/23 collection fund. In addition, £1.6 million unbudgeted costs attributed to the council's PFI energy liabilities as outlined in the P11 exception report.

3.8. Within corporate expenditure there is a net additional £0.6 million (reversal of £0.9m 21/22 and £0.3m 22/23 costs) associated with provisions required for payments under the council's succession planning policy which must be accounted for in the year the commitment is made. The policy requires all costs to be contained within relevant service budgets in the year of departure and as such this represents a timing difference with recovery actioned in the subsequent year.

3.9. A balance sheet review has been undertaken as part of our annual closure processes with a number of opportunities explored to increase the Income and Expenditure (I&E) account. Historic investigations following annual reconciliation of the payroll system to the ledger have been completed. Following the completion of the 2022/23 pension triennial review and agreement of the annual contribution for the next period, discounts (cash savings) achieved on the annual prepayment of future service employer contributions for the last 3 years and overcollection of LGPS deficits can be released to the I&E. It is proposed that these unused one-off funds of £3.8 million be released from the balance sheet to the I&E account to contribute to the debt and other impairments for 2022/23.

Capital financing

3.10. Capital financing budget has a large underspend of £6.4 million at the end of the financial year, due to the slippage of capital expenditure during 2022/23 resulting in reduced borrowing requirement during the year and reduced interest costs. This reflects a strategy of internal borrowing and increased interest from our investments due to increasing rates.

This underspend has been utilised to replace transformation expenditure that was earmarked in the budget for application of flexible use of capital receipts which were subsequently not available, and other transformation related spend totalling £4.2 million, leaving a residual £2.2 million for mitigating overspends elsewhere in the council's budget.

3.11. Other categories within corporate budgets which have underspent and offset the pressures above are outlined in table 1 with the inclusion of a provision for centralisation of land charges which wasn't progressed during the year (£0.3m).

4. Savings Programme

4.1. The savings programme agreed by Council in 2022 included savings totalling £18.0 million. These combine with £6.2 million of savings carried forward from prior years still requiring delivery, to bring the total savings delivery target for 2022/23 to £24.2 million.

4.2. It was recognised in the 2022/23 budget report that the savings were at varying degrees of development and given the level of savings proposed, stage of due diligence on each, crosscutting nature of a number of the propositions and a number that may require consultation, the savings were underpinned by an optimism bias and savings delivery contingency totalling £6.2 million.

Table 9: Summary of delivery of approved 2022/23 savings by directorate

Directorate	22/23 Savings	22/23 Savings reported as 'Safe'	22/23 Savings reported as 'At Risk'	
	£m	£m	£m	%
People	10.6	8.7	2.0	19%
Resources *(incl. Resources led cross-cutting savings)*	6.6	6.5	0.1	1%
Growth & Regeneration *(incl. G&R led cross-cutting savings)*	6.9	6.6	0.4	6%
Total	**24.2**	**21.8**	**2.4**	**10%**

4.3. Approved savings in 2022/23 totalled £24.2 million. This included rollover of £6 million from non-achieved or under-delivered savings in 2021/22. Of this £24.2 million, £21.8 million (90%) have been reported as safe and £2.4 million (10%) reported at risk. It should be noted that reported as safe does not in all instances mean delivered as this includes in-year write downs of over-optimistic savings targets for 2022/23 via the application of £4.1 million of optimism bias funding. From the overall savings, £16.0 million (66%) have been delivered with £8.2 million (34%) not being achieved in year as planned. Of the £8.2 million, £0.5 million (2%) of these savings were deemed to not be deliverable and were permanently written off in the 2023/24 budget setting process.

4.4. The in-year impact of this has been mitigated during the year and alternative savings of £10.0 million (£0.5m held centrally) were identified where original plans had not been achieved recurrently.

Table 10: Summary of delivery of in year recovery activity/savings by directorate

	Recurrent			One-off		
	22/23	23/24	Total	22/23		Total 22/23
	£'000	£'000	£'000	£'000		£'000
People	2,128	693	2,821	1,952		4,080
Resources	10	1,000	1,010	2,863		2,873
Growth & Regeneration	1,033	2,889	3,922	2,018		3,051
Total	**3,171**	**4,582**	**7,753**	**6,833**		**10,004**

4.5. From the in-year alternative mitigating recovery action, £8.4 million has been delivered or further mitigated and £1.6 million adjusted on a one off basis via the optimism bias and savings delivery contingency. This will leave approximately £0.9 million of recurrent savings still required to be delivered on a recurrent basis in 2023/24. When combined with the original £7.7 million, £8.6 million will be carried forward and will need to be delivered to achieve a balanced budget in 2023/24. These savings will continue to be monitored and reviewed for delivery in 2023/24. Full detail of savings delivery is provided in Appendix 2. See 2023/24 budget report here: Council budgets (bristol.gov.uk).

Ring-Fenced Accounts

5. Housing Revenue Account

5.1. The Housing Revenue Account (HRA) is a statutory account which records expenditure and income relating to council dwellings and the provision of services to tenants.

5.2. For the financial year 2022/23 the Housing Revenue Account reported a deficit of £2.8 million (2%), based on both the gross expenditure budget of £127.1 million approved in March 2022. This represents a movement of £3.6 million compared to the deficit of £6.4 million reported in P10. The overspend reported in the HRA will be funded from the HRA general reserve. The main reasons for the deficit against budget are set out below.

Table 11: Summary - Housing Revenue Account outturn 2022/23

Housing Revenue Account	Revised Budget £'000	Outturn £'000	Outturn Variance £'000	Previous Forecast £'000	Previous Forecast Movement £'000
Income	(128,051)	(127,181)	870	(127,292)	111
Repairs & Maintenance	37,214	35,164	(2,050)	34,280	884
Supervision & Management	32,021	36,302	4,281	36,360	(58)
Special Services	11,518	14,136	2,618	14,855	(718)
Rents, rates, taxes and other charges	595	625	30	653	(28)
Depreciation, Revenue Funded Capital, Interest Payable and Bad Debt Provision	46,703	43,735	(2,968)	47,547	(3,813)
(Surplus) / Deficit on the HRA	**(0)**	**2,781**	**2,781**	**6,403**	**(3,623)**

5.3. The HRA income is reporting an adverse variance of £0.9 million which is due to delays in the handover of new build properties as well as increased levels of Right-to-Buy (RTB) sales.

5.4. The full year results at the end of P12 for repairs & maintenance shows a favourable variance of £2.1 million against a revised budget of £37.2 million. This represents a £0.9 million deterioration compared to P10. The service has been hampered by capacity issues affecting internal as well as external contractor resources from the start of the financial year, rendering it difficult to carry out projects as planned or budgeted. This impacted our low-rise dwelling painting programme and given the upward rebasing of recharges to the capital programme, an overall underspend was realised. This has been mitigated by an uptick in the repairs & maintenance programme over the last three months.

5.5. Supervision and Management is reporting an overspend of £4.3 million, a favourable movement of £0.1 million when compared to P10. This is mainly due to additional investment agreed by cabinet for fire safety works (Waking Watch) and IT transformation costs.

5.6. Special Services is reporting an overspend of £2.6 million due to an increase in energy costs, though this is £0.7 million less than reported in P10.

5.7. There has been a significant increase in the interest received on HRA balances in 2022/23 of approximately £3.1 million, compared to P10 forecast of £0.2 million. This increase is reflective of the growth in interest rates and aligns with the council's Treasury Policy. Also, reflecting the cost of maintaining the council's stock, the depreciation charge for 2022/23 is £0.6 million less than budgeted. Ongoing work with residents resulted in improved income collection and lower levels of bad debt than originally forecast.

6. Dedicated Schools Grant

6.1. The DSG is a ring-fenced grant which is allocated in four blocks. The Schools Block funds the Individual Schools' Budgets of Academies and Authority schools. The Early Years Block funds the provision of education for children from age 3 up to age 5 and for qualifying two-year olds. The High Needs Block funds the place budgets at special schools, Enhanced Resource schools and Pupil Referral Units within the council's geographical boundary and other expenditure required to support children and young people with additional educational needs. The Central School Services Block funds limited central expenditure on behalf of all schools and academies plus historic commitments that have been agreed by the Schools Forum.

6.2. The in-year deficit on the DSG is £15.0 million, an improvement of £2.2 million when comparing to £17.2 million in-year deficit forecasted in P10. This gives a carried forward cumulative deficit of £39.7 million when added to the brought forward balance of £24.7 million. The main area for concern continues to be the High Needs block with an in-year deficit of £15.3 million, partially offset by the £0.9 million underspend in the school's blocks.

6.3. Please note this does not include the deficit in maintained schools and nurseries which was £1.7 million cumulative deficit, an adverse in-year movement of £5.2 million from 60 LA (Local Authority) maintained schools and 4 hubs plus 1 LA maintained children's centre. Further details are outlined in paragraph 6.10.

6.4. The variances by the four main DSG blocks are outlined below.

Table 12: Summary of DSG position 2022/23

2022/23 DSG Outturn Position	Balance b/fwd at 1 Apr 22	Transfers	Revised b/fwd	DSG funding 22/23*	2022/23 Outturn	In-year variance	2022/23 Outturn C/fwd	Mov'nt since P10
	£m	£m	£m	£m	£m	£m	£m	£m
Schools Block	(1.517)	1.517	-	304.661	303.874	(0.787)	(0.787)	(0.230)
De-delegation	(0.504)	-	(0.504)	-	(0.023)	(0.023)	(0.527)	(0.023)
Schools Central Services Block	0.008	-	0.008	2.742	2.742	-	0.008	-
Early Years Block	(0.472)	-	(0.472)	35.329	35.196	(0.133)	(0.605)	(0.802)
High Needs Block	27.876	(1.517)	26.359	78.466	94.629	16.162	42.521	(1.135)
Education Transformation	(0.740)	-	(0.740)	1.531	1.343	(0.188)	(0.928)	(0.033)
Total	**24.650**	**-**	**24.650**	**422.730**	**437.761**	**15.031**	**39.681**	**(2.222)**

**Note: DSG allocation is indicative as Early Year's funding allocation is based on actual participation and is updated quarterly in arrears.*

High Needs Block (HNB)

6.5. Within the High Needs Block, the biggest area of funding pressure is top-up payments to special and mainstream schools, special placements for pre and post 16, GFE top-up as well as payments to other local authorities, Pupil Referral Units (PRUs) and resource bases, where overspends of £10.0 million were recorded against a range of top up payments. Whilst this is

£3.7 million lower than the P10 forecast, it adds significant pressure to the DSG budget and cannot be sustained in the long run. There is significant increase in the number of pupils coming to panel for top-up funding as a result of the increased number of Education, Health and Care Plans (EHCPs) being completed, which has been reflected in a £0.5 million overspend in the Special Needs team and Education Psychologists in Accessible City within the education General Fund budget.

Early Years (EY)

6.6. The Early Year's block is reporting a £0.1 million underspend at the end of the year. This is due to a reduction in spring term funding due to lower participation which also resulted in £0.7 million funding reduction adjustment in P12. Another reason for EY's underspend is due to delayed spending in EY's Transformation & Maintained Nursery Improvement programmes totalling £0.266 million, offset by slight overspend in 2 year old funding and EY's SEN budget.

Schools Block (SB)

6.7. Schools Block is currently reporting an underspend of £0.8 million. The formula funding for maintained mainstream schools and academies has been fully allocated. Scope for variation is in the growth fund, or if schools close during the year. The £0.8 million favourable outturn variance on Schools Block is due to underspend in the growth fund.

Education Transformation Programme

6.8. Following the agreement of Schools Forum, £1.5 million was transferred from the Schools Block in 2022/23 to contribute towards the Education Transformation Programme. The programme, however, underspent by £0.2 million, in addition to the £0.7 million underspend from the previous year. These underspends will be carried forward to 2023/24 to continue to support the delivery of the DSG High Needs Recovery plan alongside the DfE Delivering Better Value for SEND Programme. The Education Transformation Programme is primarily concerned with Special Educational Needs and Disability (SEND) and is expected to drive improvement in SEND practices as well as increase local provisions. This has led to increased numbers of pupils accessing the service (with impact on the HNB) and will in the longer-term lead to improved outcomes and more sustainable costs.

6.9. Nationally, High Needs continues to be challenging due in the main to SEND reforms introduced in 2014 and remains unfunded and, in Bristol, this has been exacerbated by work to clear the backlog of EHCPs. Further detailed activity review & analysis will need to be undertaken to ensure planning is robust and sufficient resources are available to meet needs, and we will continue to lobby government for a more sustainable funding settlement.

Schools surplus and deficits

6.10. Overall school's balances have decreased by £5.3 million with most significant deterioration recorded in nursery schools where 11 out of 12 LA maintained nursery schools were in deficit at the end of March 2023. Analysis by setting is summarised in the table below:

Table 13: Maintained schools balances 2022/23

2022/23 Bristol LA Maintained Schools Balances	2021/22 balance carry forward £'000	2022/23 closing balance £'000	In-year movement £'000	No of schools in cumulative deficit position as at 31 March 2023
Children's Centres (CC)	340.3	541.3	201.1	1 of 1
Hub	(773.2)	(498.2)	275.0	0 of 4
Nursery	5,192.5	7,050.1	1,857.6	11 of 12
Primary	(3,831.1)	(2,906.4)	924.7	4 of 28
Primary with nursery settings	(1,714.6)	(737.2)	977.4	2 of 12
Secondary	(878.3)	(391.7)	486.6	0 of 2
Special	(1,297.6)	(789.4)	508.2	1 of 5
PRU (Pupil Referral Unit)	(552.2)	(503.9)	48.3	0 of 1
Sum total (+ve: deficit)	**(3,514.3)**	**1,764.6**	**5,278.9**	**19 of 65**
Sum excluding CC & Hubs	**(3,081.3)**	**1,721.5**	**4,802.8**	**18 of 60**

6.11. 14 out of 60 (excluding 4 hubs and 1 Bristol LA maintained children's centre) LA maintained schools started the year with a cumulative surplus of £3.1 million. By the end of the year, 18 schools shared a cumulative deficit position of £1.7 million, this represents an in-year deficit of £4.8 million to carry forward into 2023/24. The new MSAG (Mainstream Schools Additional Grant) Bristol indicative allocation for 2023/24 is £10.7 million, which should alleviate most of the financial pressures in primary and secondary settings. Financial position by settings is summarised in the table above.

6.12. Out of 18 schools sharing the end of cumulative deficit position of £1.7 million, the nursery sector continues to be a concern, with 11 out of 12 maintained nursery schools in a deficit position totalling £1.9 million (or £7.1m when including brought forward deficit balance of £5.2m), some of the deficits representing a substantial proportion of their annual budgets. Whilst the additional £1.6 million Maintained Nursery Schools supplement grant in 2023/24 is welcomed, it is not sufficient to cover the in-year budget pressure (in-year deficit of £1.9m in 2022/23), neither would it contribute towards the cumulative deficit (£7.1m as at March 2023). The Education Early Years and Education Finance teams have been working with the sector to find a sustainable way forward. Different models of operation have also been considered which could potentially reduce the deficit going forward.

6.13. Schools with a forecast a deficit position at Q3 were required to provide a deficit recovery plan. The LA finance team will continue to work alongside education colleagues to support and challenge schools with deficits to help them manage their medium-term recovery plan to a balanced position in line with the scheme for financing schools.

7. Communities and Public Health

7.1. The total Public Health budget in 2022/23 was £41.2 million. This is composed of £34.6 million public health grant and £6.6 million joint commissioned funding (£40.2m in the approved budget, of this £33.6m was indicative public health grant prior to actual grant notification). The Public Health grant is awarded annually to each local authority and 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. Bristol's local priorities in 2022/23 included reducing harms from drugs and alcohol, improving mental health, reducing harms from domestic abuse, food equality and community health action.

7.2. There are also a small number of Communities and Public Health Services which are funded from the General Fund with a budget of £6.4 million. These include Neighbourhood and Community services, the Bristol Impact Fund and Covid related expenditure. The services delivered secondary savings during 2022/23 and a planned underspend of £0.4 million was reported.

7.3. Public Health grant funded services ended the year with a small underspend of £0.8 million which was added into the ring-fenced reserve. The Public Health reserve currently totals £4.6 million. This underspend has occurred because of underperformance in primary care contracts due to pressures in the NHS systems for mandated services (sexual health, substance misuse and NHS health checks). The budget for 2023/24 will be amended to reflect this.

7.4. Moving into 2023/24 there remains risk to the Public Health budget linked to the NHS pay award, which will put pressure on NHS pay linked elements of services.

8. Capital Programme and Investments

8.1. The capital programme was revised during the year as the phasing of schemes was reviewed and approvals for additional schemes and resourcing were agreed. The original capital programme set in February 2022 totalled £300.5 million (including £122.7m within HRA). Approvals were sought in subsequent budget monitoring reports to revise the 2022/23 programme to a total budget of £227.1 million.

8.2. The previous monitoring report (P10) reported a budget of £223.3 million. This has been uplifted by £3.8 million following reallocation of CAZ funding from revenue to capital as detailed in the P10 report.

8.3. The table below sets out the capital outturn position by directorate (full breakdown is available in Appendix A6).

Table 14: Capital outturn summary 2022/23

Approved Budget Council £m	Directorate	Revised Budget £m	Outturn £m	Outturn Variance £m	Variance from Budget %
25.1	People	22.4	16.2	(6.2)	(28)%
7.9	Resources	2.1	1.6	(0.5)	(24)%
*132.1	Growth & Regeneration	132.8	119.4	(13.4)	(10)%
12.7	Corporate	0.1	-	(0.1)	-
122.7	Housing Revenue Account	69.7	61.5	(8.2)	(12)%
300.5	**Total**	**227.1**	**198.7**	**(28.4)**	**(13)%**
	Financed By:				
73.7	Prudential Borrowing		60.8		
83.2	Capital Grants		72.8		
19.9	Capital Receipts		2.6		
122.7	HRA		61.5		
1.0	Revenue Contributions		1.0		
300.5	**Total**		**198.7**		

**Excluded from the approved budget is £9.325 million - PL30A Housing Programme delivered through housing company as this budget line related to the transfer / sale of land rather than capital expenditure.*

8.4. The actual capital outturn achieved for 2022/23 is £198.7 million, which includes £61.5 million attributed to the HRA. This indicates an 87% delivery compared to the revised budget and a 64% delivery when compared to the originally agreed programme.

8.5. The level of actual prudential borrowing required to finance this reduced programme is £60.8 million, which is £12.9 million lower than when the budget was agreed. This has had an impact on the revenue accounts with a reduction in the capital financing costs (circa £0.129m) associated to the debt for the programme as outlined above.

8.6. Capital reporting included robust and rigorous reviews during the year to re-profile the capital spending across financial years on all schemes based on a realistic assessment of expected project delivery/implementation timescales, considering known risks. A strategic delivery partner has been appointed to drive up capital scheme delivery. With increased capacity in the council to deliver projects, capital spend has increased by 20% based on average prior year spend of c.£160 million per annum.

8.7. At the end of the financial year the net underspend is recommended to be reprofiled by scheme into future years. The allocation of the net underspend, and its reprofiling to future financial years, will be subject to a review to ensure that it is reprofiled realistically based on the scheme's delivery timeframe. The HRA net underspend will be reviewed against the refreshed 30-year Business Plan approved by Council in February 2023 to ensure consistency as a full reset of the HRA's capital investment plans was incorporated into the Business Plan. The outcome of this work will be incorporated into the monthly financial report to cabinet in July 2023.

8.8. The People Directorate reported a net capital underspend (£6.2m) with the main variance relating to the school's expansion programme and South Bristol Youth Zone with a reported underspend of £3.8 million and £1 million respectively.

8.9. Resources directorate reported a net underspend of £0.5 million against a budget of £2.1 million (24% delivery). The key drivers of this variance to budget are:

- ICT Programmes underspend of £0.383 million mainly due to slippage in the network replacement project (£0.234m) arising from a change in procurement approach/advice to run a competitive tender rather than direct award the contract, as previously planned. This is in order to generate further savings in the run cost, plus £0.150 million from the telephony/contact centre replacement project due to delays in recruitment and contractual segregation required to avoid a further 12 months license cost
- £0.107 million underspend on Flax Bourton Mortuary storage expansion due to project delays arising from an additional options appraisal being required to mitigate the impact of rising construction costs
- £0.076 million underspend on the ICT refresh programme due to fewer laptops than anticipated being replaced

8.10. Growth and Regeneration reported a net underspend of £13.4 million against a revised budget of £132.8 million (90% delivery). The key drivers of the variance to budget are:

- Economy development - ASEA 2 Flood Defences – GR03 £4.1 million. This is a joint scheme with South Glos. Council and the Environment Agency. The newly reported underspend reflects the latest assessment of work in progress and costs to date. The unspent amount is recommended to be reprofiled to 23/24
- Housing Delivery is reporting slippage of £2.6 million, a movement of £2.0 million between the P10 forecast and year end. The programme has experienced delays in completion by

Registered Providers (RPs) and in several schemes including the Lockleaze, Romney House and Fulford Road projects

- Energy services – renewable energy investment – PL18 £2.3 million. HUGS1 (£1.5m) is due to delays in setting up the contract with Ameresco (City Leap partner). This has also affected the decarbonisation scheme (£0.6m) with agreements signed in December 22 between BCC & Ameresco for construction to start Jan 23. The balance relating to underspends against the BEIS Green Homes Grant (£0.2m) has now completed
- Clean Air Zone Programme – GR09 £1.3 million. This is a grant funded scheme that has facilitated the introduction of a clean air zone in Bristol and provided support, including financial support, to both residents, workers and businesses. While the majority of the infrastructure is now in place, the process for financial support and applications to access is ongoing, and the underspend is recommended to be rolled forward into 23/24 to ensure that all eligible for support have access within the approved deadlines to ensure compliance by the end of 2023
- Energy Services – Bristol Heat Networks expansion – PL18A - £1.4 million. This project transferred to the City Leap partners and the underspend reflects the fact that the council will not be picking up any future costs for this project going forward
- Building Practice Service - essential H&S – PL21 £1.3 million underspend due to the Bottleyard studio roofing programme slipping, as well as the general contingency fund not being utilised in 22/23

8.11. The main reasons for the £8.2 million slippage on the HRA capital programme are:

- Planned programme – the programme is reporting a small overspend for the financial year, however, there has been a movement of £1.5 million between P10 and year end. The service experienced considerable obstacles throughout most of the year including issues with contractors arising from disputes over pricing. Internal problems with the availability of skilled staff also contributed to difficulties with forecasting during the year. Over the past few months, the bottleneck in the delivery of projects has begun to ease and has led to the achievement of the positive outcome experienced since period 10
- New build and land enabling is reporting slippage of £8.3 million due to delays across several schemes. The new build programme has experienced challenges arising from the current volatile market conditions. There have been delays experienced with the completion of Airport Road and the start on site on for Brentry and Brunel Ford schemes

Investments

8.12. The authority has commercial investments which are expected to generate both a commercial and social return. For social investments, the primary purpose is to provide service benefits / social impact while the generation of yield and liquidity is secondary. These are commonly known as impact investments. The investments for the year ending 31 March 2023 are summarised below:

Table 15: Investments as at 31 March 2023

Investment	Approved Budget (£m)	Type	Amount C/F (£m)	Amount Invested (£m)	Amount Repaid (£m)	Amount O/S (£m)
Homelessness Property Fund	10	Share & Loan Capital	9.3	-	0.3	9.0
Temporary Accommodation Property Fund	4	Share & Loan Capital	0.7	2.7	-	3.4
City Funds LP	5	Loan Capital	3.1	0.4	-	3.5
Great Western Credit Union	0.5	Loan Capital	0.5	-	-	0.5
Bristol & Bath	0.3	Loan Capital	0.3	-	-	0.3

Regional Capital						
Avon Mutual Community Bank	0.3	Share Capital	0.3	-	-	0.3
Bristol Port Company	2.5	Share Capital	2.5	-	-	2.5
Bristol Waste	12.0	Loan Capital	8.4	-	1.3	7.1
Goram Homes (working capital facility)	10.0	Loan Capital	2.4	1.0	-	3.4
Goram Homes (deferred capital receipt – Romney House)	12.9	Loan Capital	12.9	-	2.8	10.1
Bristol Heat Networks LTD (BHNL)	26.0	Loan Capital	0.3	21.2	21.5	-

8.13. **Bristol Waste** - the council currently has 2 loan facilities with BWC. Cabinet approved (4 December 2018) a repayable loan facility of £12.7 million to BWC for the replacement of fleet vehicles. To date, £11.3 million of this loan has been contractually agreed and drawn down. At the start of the financial year £8.4 million of this loan was outstanding and by 31 March 2023 BWC had repaid £21.9 million of the principal plus interest, leaving an outstanding principal balance of £7.1 million. The loan is scheduled to be fully repaid by mid-28/29. In addition, following cabinet approval (26 January 2021) the council has entered into a further loan agreement with BWC for £2.8 million for Phase 2 of the Avonmouth site redevelopment. This loan also includes interest charges on the principal sum. Draw down of this funding has not yet commenced.

8.14. **Goram Homes** - the council has approved 2 loan facilities with Goram. An initial loan of £3.3 million was agreed for its first two sites (‘Pipeline 1’). At 31 March 2023, Goram had drawn down £2.0 million so that £1.3 million remains to be drawn down. Cabinet approval currently allows for a loan of up to £4.3 million against this pipeline. A second loan of £4 million has since been agreed for ‘Pipeline 2’ and Goram has drawn down £1 million against this. Cabinet approval currently allows for a loan of up to £10 million against this second pipeline. Both loan agreements include interest charges on the principal sums and £3.4 million is currently outstanding (principal plus interest). In addition, the council also holds £12.9 million repayable loan notes representing its transfer of Romney site into Goram Home’s Joint Venture for the development of that same site.

8.15. **Bristol Heat Networks** - all loan facilities have been repaid in full following acquisition of Bristol Heat Networks by Vattenfall Heat UK Ltd on 4 January 2023.

8.16. **City Funds LP** - the fund is £10.0 million, of which £5.0 million is invested by the council for a minimum duration of 10 years to support the provision of loans to local communities. During the year a further £0.4 million has been invested by the council bringing the total to £3.5 million.

8.17. **Temporary Accommodation Property Fund** - the council has approved a fund of £4.0 million of which £3.0 million has been funded by the Department for Levelling Up, Housing and Communities to reduce the level of rough sleeping within the city by investing in a bespoke property fund. During the year investment in the fund amounted to £2.7 million bringing the total to £3.5 million with the remaining draw downs to occur during the next financial period.

9. Core Local Income

Council Tax

9.1. Budgeted Council Tax (Bristol element) for the year totalled £243.2 million, this assumed forecast growth in the number of homes and anticipated changes in demands for the Council Tax Reduction Scheme, discounts, and exemptions. As a tapered recovery from the pandemic began, collection rates were revised to an in-year collection rate of 95.8% and a collection of previous years arrears of 1.2%.

Council Tax income collection

9.2. The table below shows the level of Council Tax and Non-Domestic rates collected by the council, for 2022/23, as at 31 March 2023 and the comparable performance for 2021/22:

Table 16: Council tax collection 2022/23 vs 21/22

Council Tax			
	2022/23 £m	2021/22 £m	Trend
Collectable Debit	297.9	283.9	
Collected	275.2	263.1	
Percentage	92.35%	92.67%	

9.3. During the year, the estimate of council tax income was revised to reflect the gradual recovery from the pandemic. This included a significant reduction in the anticipated costs of the Local Council Tax Reduction Scheme (CTRS). In particular, the number of working age claimants had fallen much more sharply than anticipated at the height of the pandemic. However, debt remains high requiring a further in-year increase into the bad debt provision. The estimated outturn, for the Bristol share, as at 31 March 2023 is an in-year surplus of £0.85 million. The outturn "collectable debit" in the table above reflects the total council tax, which was due after taking into account all discounts, exemptions, growth during the year and also includes precepts of Avon Police and Crime Commissioner and Avon Fire and Rescue.

Business Rate income collection

Table 17: Business rates collection 2022/23 vs 21/22

Business Rates			
	2022/23 £m	2021/22 £m	Trend
Collectable Debit	233.1	201.5	
Collected	209.1	183.9	
Percentage	94.84%	91.25%	

9.4. Budgeted business rates (Bristol element) for the year totalled £197.4 million. Growth, changes in liability and level of arrears all impact on the net amount actually collected. The estimated outturn as at 31 March was an in-year surplus (Bristol share net of CARF – Covid Additional Relief Fund) of £1.0 million. This was mainly due to a reduction in arrears as CARF relief was credited against outstanding balances on accounts where possible.

9.5. The local taxation income included in the 2022/23 budget for these areas is fixed and therefore the actual variances will impact in the future financial year. Arrears associated to these local income streams will continue to be collected and the ultimate collection rate will be higher.

10. Debt Management

10.1. 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 31 March 2023 is outlined in the table below.

Table 18: Opening and closing balances of outstanding debt

Debt Type	Opening Balance 1 April 22 £m	Movement £m	Closing Balance 31 March 23 £m
Accounts Receivable	78.300	(2.135)	76.164
Council Tax Arrears	38.191	12.310	50.501
NNDR Arrears	29.042	(7,267)	21.775
Overpaid Housing Benefit	18.731	0.698	19.429
HRA Housing Arrears	11.935	(3.828)	8.107

10.2. Of the £76.164 million sundry debt outstanding at 31 March 2023, £51.8 million (68%) was less than 1 year old and £21.7 million (28.5%) relates to invoices less than 30 days old which were not payable until after 31 March 2023. This is not directly comparable to the billing and collection processes for council tax and business rates.

10.3. During the 2022/3 fiscal year £3.295 million (CT/NDR/HBOP/AR) and £0.32 million (HRA) was written off in line with the scheme of delegation, details of which will be reported annually to cabinet, in the first quarterly report each year. As collection and recovery activity continues to work back up to previous levels write offs may increase, particularly with the ongoing cost of living crisis. A review of aged and static debt new activity has been undertaken with subsequent work planned to collect and recover monies from those who had previously absconded. Ethical engagement with indebted customers continues.

11. Reserves

11.1. The following section sets out the impact of the outturn on the reserves held by the council and use or movement in reserves during the year. The movements set out below have been reviewed and approved by the S151 Officer in line with approval arrangements as set out in the Management and Governance section of the updated Reserves Policy (see Appendix A4).

General Reserve

11.2. The opening balance on the council's General Reserve is £36.9 million. An in year request of £4.7 million net to meet additional pay awards was approved at Q2 in October 2022 and it is recommended that the overspend in 2022/23 of £3.0 million be met by the General Reserves. This will bring the balance on the General Reserve to £29.3 million at 31 March 2023.

Earmarked Reserves

11.3. The 2022/23 opening balance of earmarked reserves was £180.1 million. The normal operation of council business includes movements on earmarked reserves, including spending existing reserves or placing new funding aside for use in future years.

11.4. Contributions to earmarked reserves are from a mixture of sources, they are either planned as part of the budget setting process or from an underspend on a ring-fenced grant or budget where expenditure has slipped into a future year.

Table 19: Summary of contributions to earmarked reserves during 2022/23

	Transfers Between Reserves approved by Cabinet Q2	Transfers into Reserves 2022/23
	£m	£m
Capital Investment Reserve	-	(0.52)
Goram Homes Investment	1.00	(0.84)
Business Transformation Reserve	-	(0.04)
Waste Contract Payment Mechanism	0.75	-
Housing Support	0.03	-
Counter Fraud Hub Development	0.02	-
Capital Feasibility Fund	0.69	-
SEND Transformation	0.50	-
Public Health	-	(0.80)
Substance Misuse	1.99	-
Energy Investment Reserve - Bristol Energy PCG	0.47	-
IFRS - Grants with no conditions	0.32	(0.29)
Development Fund	0.48	-
Mayoral Commissions/City Director	0.40	-
Events Reserve	0.09	-
Libraries for the Future	0.10	-
Tackling Digital Poverty	0.03	-
Hartcliffe Recycling Centre	0.18	-
Docks Dredging	-	(0.10)
Children's Services Improvement Plan	0.11	-
Neighbourhood Partnerships	0.11	-
ERDF	0.08	-
High Needs	0.09	-
Project Management (G&R)	0.06	-
JSP & Local Plan record	0.10	-
Economic strategy	0.05	-
Avon Mutual - Regional Community Bank	0.08	-
COVID Response (unring-fenced)	4.91	-
Streetworks Permit	-	(0.08)
Community Asset Refurbishment	1.00	-
Communities Resilience Fund	-	(0.07)
Reserve - Clean Air Zone (CAZ) - Implementation grant	-	(5.10)
Reserve - Family Hubs & Start for Life Programme	-	(0.88)
Reserve - Clean Air Zone (CAZ) - Operational surplus	-	(8.44)

TOTAL		13.62	(17.14)

11.5. The creation of the following new reserves is proposed at the close of the year and approval is sought respectively:

- Clean Air Zone reserve for grant funding of £5.1 million.
- Clean Air Zone reserve for operational surpluses of £8.4 million.
- Family Hubs & Start for Life Programme reserve to deliver on the aims and objectives of this grant-funded programme of £0.9 million.

11.6. During the year £26.4 million was drawn down from revenue reserves as outlined in the table below leaving a residual balance of £157.2 million.

Table 20: Summary of drawdowns from revenue reserves during 2022/23

	Drawdown from Reserves in 2022/23 £m
Capital Investment Reserve	0.12
Business Transformation Reserve	0.07
Waste Contract Payment Mechanism	0.31
Operational Reserve - Resources	0.83
Adult Social Care Innovation Fund	0.67
Property Asset Management Plan	0.60
Capital Feasibility Fund	0.04
New Priority Investments (City Leap)	1.80
Project Management Office	0.20
Licencing (ring-fenced)	0.07
Reserve - City Funds	0.28
IFRS - Grants with no conditions	0.24
Troubled Families	0.56
PFI (Sinking Fund) Various	0.20
PFI (Phase 1 & BSF) Schools	1.68
Business Rate - volatility	5.23
Legal	0.31
GF Education Conversions	0.36
BE Indemnity	0.19
Parking Renewals a/c	0.11
Local Development Plan	0.07
Future City Demonstrator	0.06
Cost of Elections	0.58
Learning City	0.02
Civic Events	0.07
GDPR and Data Information Security	0.05
Marine	0.03
Strengthening Families	0.08

JSP & Local Plan record	0.01
Bear Pit	0.11
Climate & Ecological Reserve	1.04
ICT Cyber Security*	0.15
Serious violence, contextual safeguarding and community tension	0.19
COVID Response (unring-fenced)	0.52
Covid 19 Grants – Public Health	3.07
Bristol Legacy Community Repair Fund	0.05
S256 - Healthier Together Funding for Integrated Care	5.36
Reserve - Clean Air Zone (CAZ) - Operational surplus	1.05
TOTAL	**26.39**

HRA Reserves

11.7. The 2022/23 opening balance on the HRA reserves was £115.1 million. This has been reduced by £2.8m in the year to offset the approved one-off fire safety (Waking Watch) and IT Transformation expenditure. There has also been a net drawdown of £2.9 million from the major repairs reserve to finance the capital programme.

11.8. This leaves a total balance of £109.4 million as at the end of the financial year 2022/23, which comprises of £98.7 million on HRA general reserves, £0.7 million for CCTV and £10.0 million in the HRA major repairs reserve. The balances on the HRA reserves are ring-fenced and must be retained for use within the HRA and for which there is a long-term business plan, subject to regular review.

School Reserves

11.9. Maintained schools operate delegated budgets and carry forward any cumulative surpluses or deficits at year end. The opening balance on the Schools' Cumulative Revenue Reserves was £5.1 million. The in-year overspend results in a net £6.3 million draw down from reserves, resulting in a carry forward deficit balance of £1.2 million.

11.10. Schools capital reserves had an opening balance of £3.5 million with an in-year movement of £3.8 million giving a closing balance of £7.3 million.

DSG Reserve / (Deficit)

11.11. At the start of the financial year the opening balance on the DSG was a deficit of £24.7 million, the in-year overspend was £15.0 million meaning that the position at year end is a deficit of £39.7 million.

Summary of movement of reserves during 2022/23 and balances as at 31 March 2023

11.12. The table below summarises the overall contributions and drawdowns as outlined above reflecting the additional reserves subject to cabinet approval.

Table 21: Summary of movement of reserves during 2022/23 and balances as at 31 March 2023

Reserve Type	Opening Balance 01 Apr 22	Contributions	Drawdown / Reallocated	Closing Balance 31 Mar 23

	£m	£m	£m	£m
General Reserve	(36.9)	(13.6)	21.3	(29.3)
Earmarked General Fund Reserves	(180.1)	(17.1)	40.0	(157.2)
Housing Revenue Account	(115.1)	-	5.7	(109.4)
Schools:				
Trading with Schools	(0.5)	(0.0)	0.1	(0.5)
Schools Balances	(5.1)	-	6.3	1.2
Capital Reserves	(3.6)	(3.8)	-	(7.4)
Total Schools Reserves	**(9.2)**	**(3.8)**	**6.4**	**(6.6)**
Total DSG Reserves	**24.7**	**-**	**15.0**	**39.7**

- It should be noted that prior to finalisation of the draft statement of accounts, the following reserves (usable and unusable) may be subject to further change: Collection Fund Adjustment Account, Business Rates Volatility Reserve, Revaluation Reserve, Capital Adjustment Account, Capital Receipts, HRA Reserves (including Capital receipts, MRA and Revenue reserves.)

Flexible Use of Capital Receipts

11.13. During the year no capital receipts were used to fund costs related to the delivery of transformation/saving programmes. It was budgeted that £8.5 million would be available to support transformation schemes, however, as set out in the P10 report these in-year costs (£4.2m for 2022/23) have been financed within the Capital Financing budget, with the residual balance of £1.8 million to be funded from capital receipts in future periods, subject to their availability.

12. Treasury Management

12.1. The following summarises the treasury management position as at 31 March 2023. A full report on treasury management performance and prudential indicators for 2022/23 will follow to Audit Committee and Full Council.

Borrowing as at 31 March 2023

12.2. The treasury management strategy for 2022/23 identified a net borrowing requirement of £65 million to finance the planned capital programme, however due to slippage in the capital programme and significant additional grants provided by government, which are yet to be fully spent, no additional borrowing was required during 2022/23.

Table 22: Summary of external borrowing

	31 March 2022		31 March 2023	
	£m	Average Rate %	£m	Average Rate %
Long Term Debt (fixed rates) - PWLB	331	4.63	326	4.59
Long Term Debt (fixed rates) – LOBOS	70	4.09	70	4.09
Long Term Debt (fixed rates) – Market	50	4.04	50	4.04
Short Term Borrowing	-	-	-	-
Total borrowing	**451**	**4.48**	**445**	4.45

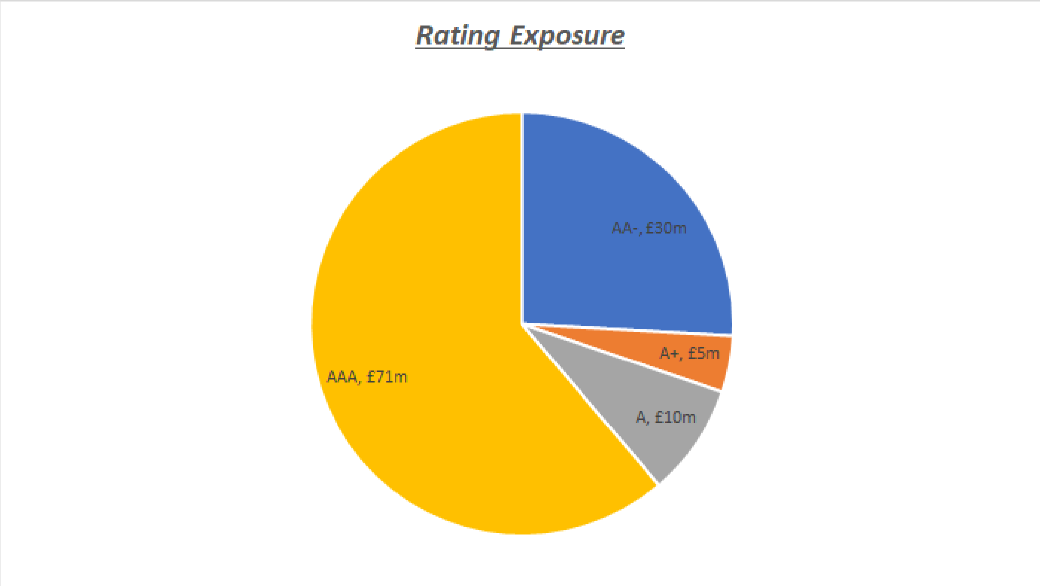
Table 23: Summary of treasury investments

	As at 31 March 2022	As at 31 March 2023

	£m	£m
UK Local Authorities	58.000	15.000
UK Banks	44.960	30.063
Debt Management Office	15.000	-
UK Building Societies	11.000	-
Money Market Funds	108.177	71.409
Total	**237.137**	**116.472**

12.3. The credit quality of these treasury investments is reflected in the chart below, noting that these investments are of high credit quality and in accordance with approved investment strategy.

Table 24: Credit quality of treasury investments



13. Statement of Accounts

13.1. This is the provisional outturn and as such figures outlined in this report could be subject to change. Work continues on final balance sheet movements and reconciliations to close the council's 2022/23 accounts and the draft Statement of Accounts (subject to external audit) will be presented to Audit Committee 30 May 2023. The draft Statement of Accounts will include a full reconciliation of all movements between the provisional report and the draft statement.