

Bristol City Council

Period 4 2023/24 - Finance Exception Report

1. REVENUE SUMMARY POSITION

- 1.1. This report relates to the Period 4 full year forecast for 2023/24 (July 2023 extrapolated). It is an exception report and as such is intended to focus on key financial issues for the Council including movements since Period 2/Quarter 1 as reported to July's Cabinet. It is not a full financial forecast for each division and no significant variances have been identified or accelerated by budget holders beyond those issues highlighted in this report.
- 1.2. The Period 5/Quarter 2 full year forecast report for 2023/24 will cover all directorate and divisional performance in-depth. It is scheduled to be reported to October's Cabinet.
- 1.3. The Council operates Directorate cash limited budgets and Executive Directors are responsible for ensuring that appropriate action is taken to contain both revenue and capital spending in line with each directorate's overall budget limit. Budget holders forecasting a risk of overspend which can potentially be brought back in line with their budget should, in the first instance, set out in-service risks and opportunities for mitigation. Where these are considered undeliverable, or pressures cannot be contained across the directorate, the budget scrutiny process will be triggered so that a deep dive can be performed and where appropriate request may be made for the Executive to consider granting a supplementary estimate redirecting funds from an alternative source.

2. GENERAL FUND REVENUE POSITION

- 2.1. The assessment at Period 4 shows the Council's scheduled General Fund currently forecasting a risk adjusted overspend of £12.1m. This is a 2.5% adverse variance on the approved gross budget of £483.5m. This represents a crystallisation of £12.1m of risks identified at Q1/P3 reporting and is therefore a net adverse movement since Q1. This is driven by material service pressures arising within the Children and Education directorate. This equates to an 11% overspend on the directorate's revised budget of £110.2m.

Table 1: P4 2023/24 Summary Full Year General Fund Revenue Forecast

P4 Exception Summary							
P4 Exception Summary	Approved budget	Revised Budget	P4 Forecast	Q1/P2 variance	P3/P4 variance	Total Variance	Total Variance %
	£000s	£000s	£000s	£000s	£000s	£000s	
8 - Adult & Communities							
Total 8 - Adult & Communities	172,362	191,793	191,793	0	0	0	0.0%
9 - Children & Education							
15 - Children and Families Services	89,051	88,242	96,222	0	7,980	7,980	9.0%
16 - Educational Improvement	21,644	21,978	26,069	0	4,091	4,091	18.6%
1B - Transformation – Our Families Programme	0	0	0	0	0	0	0.0%
Total 9 - Children & Education	110,695	110,220	122,291	0	12,071	12,071	11.0%
2 - Resources							
Total 2 - Resources	45,061	45,575	45,574	(1)	0	(1)	0.0%
4 - Growth & Regeneration							
Total 4 - Growth & Regeneration	61,395	61,568	61,568	(31)	31	0	0.0%
SERVICE NET EXPENDITURE	389,512	409,155	421,226	(32)	12,103	12,071	3.0%
Total Corporate	94,011	74,368	74,368	0	0	0	0.0%
TOTAL REVENUE NET EXPENDITURE	483,523	483,523	495,594	(32)	12,103	12,071	2.5%

2.2. Adults, Communities and Public Health Directorate

2.2.1 Adult Social Care

Adult Social Care (ASC) is forecasting in line with budget, with risks of £6.02m being identified and off-setting mitigations with transformational opportunities being progressed through the work underway with Peopletoo.

2.2.2 The Adult purchasing budgets are under significant pressure in relation to the increasing number of people being supported and the cost of those care packages. A resulting pressure of £11.8m is partially offset by increases in contributions from those clients drawing on care and support services and by forecast underspends on both employee costs and other non-adult purchasing costs (net). These combine to total £2.9m. Forecast savings and mitigations of a further £8.9m offset the balance and further details in this regard will be provided in the Quarter 2 report.

2.3. Children and Education Directorate - £12.0m

2.3.1. There are a wide range of national and local challenges being experienced within the Children and Education directorate and the emerging risk, as reported at Quarter 1/Period 2, is now likely to materialise. Following the deep dive review work is ongoing in the directorate to establish opportunities to manage and mitigate this pressure and the associated risk of further deterioration. Recognising the tension between service improvements and financial pressures, designing effective services with, and for, children and families; and efficiency of delivery and best value will improve as a result. This work is in conjunction with a broader approach across the council to identify potential mitigations to be held in abeyance subject to clarity being

provided of the total in year pressure to which the Council could be exposed. Further detail regarding these proposed efficiencies is set out in Section 5 – Recovery Mitigations.

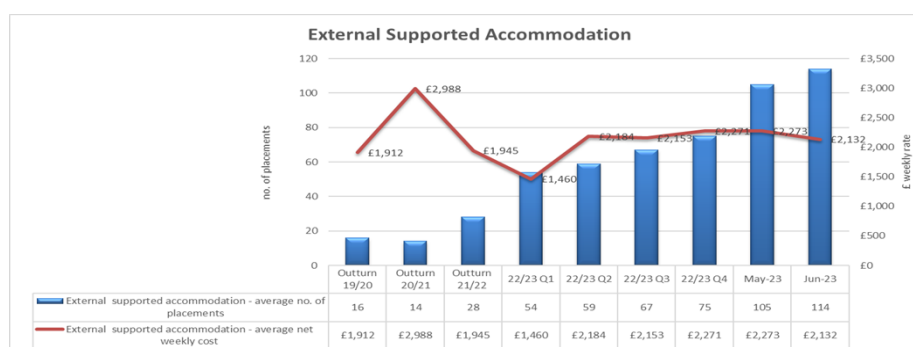
2.3.2. Children and Families

The Children and Families Service is forecasting a pressure of £8.0m (9.0%) on a revised budget of £88.2m. This pressure is predominantly due to the changing complexity and mix of social care placements. The table below provides further detail on the forecast pressure.

Table 2: P4 2023/24 Children and Families Revenue Expenditure Forecast

	Revised Budget 2023/24 £000s	P04 Forecast £000s	Variance £000s
Placements			
External Supported Accommodation	5,448	12,037	6,589
In House Fostering	6,606	6,254	(352)
Independent Fostering Agencies	6,775	7,274	499
Inhouse Supported Accommodation	99	25	(74)
RO & SGO	5,683	5,853	170
Out Of Authority - Placements	15,770	17,329	1,560
Parent & Baby Unit - Citywide	571	460	(111)
Secure	148	5	(143)
Children's Homes	4,093	3,269	(823)
Post Adoption	381	297	(84)
Total placements	45,573	52,803	7,231
Other non-placement related budgets	42,669	43,419	750
Total Children & Families	88,242	96,222	7,980

Table 3: External Supported Accommodation – Placement and Costs



2.3.3. The workforce situation deteriorated in the second half of 2022, due to the impact of the cost of living crisis, higher workloads, particularly for permanent staff, and increasing public negativity towards the profession in the light of recent cases. There are emerging risk to note in relation to workforce nationally and locally, namely the following:

- 2.3.3.1. increasing cost of using agency staff is causing significant pressure on establishment budgets. Local workforce challenges are adding to the challenges facing local services.
- 2.3.3.2. Almost one in five (19%) children's social worker posts in England were vacant as of June 2022, up from 14.6% for the prior year, according to an Association of Directors of Children's Services (ADCS) survey of 108 authorities.

Table 4: Children's Social Worker vacancy rates – England



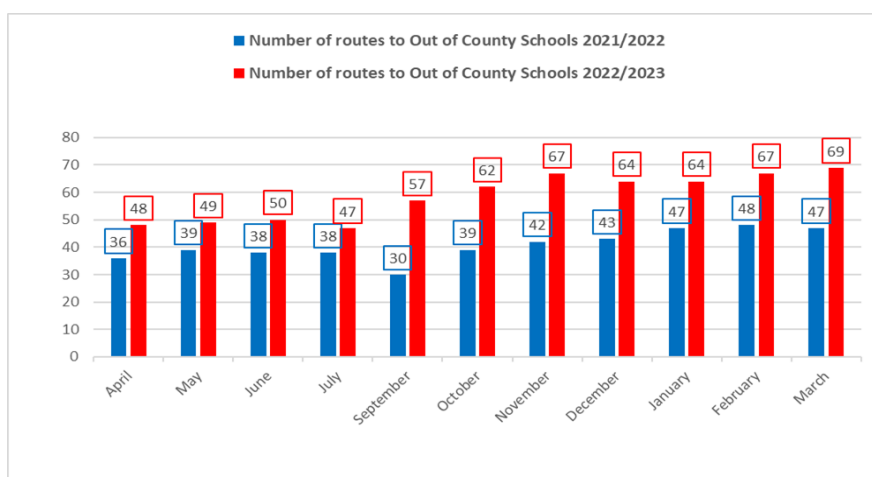
2.3.4. Educational Improvement

The Educational Improvement Service is forecasting an adverse variance of £4.1m (18.6%) on a revised budget of £22.0m. This pressure is as a result of the increasing number of children with Education Health and Care Plans (EHCPs) requiring transport to school and the growing number reliant on having to travel longer distances from home.

- 2.3.5. The number of children and young people with EHC plans increased to 517,000, as at census day in January 2023, up by 9% from 2022. In the 2022 calendar year, 66,400 new EHC plans were made, up by 7% from the previous year. The number of new EHC plans has increased each year since their introduction.
- 2.3.6. School sufficiency has been a major driver in decreased capacity within the service to handle EHCPs. With lower capacity in schools, and mainstream schools driving for Children and Young people (CYP) to attend special schools, the pressure of funding places for CYP falls on the Local Authority service.

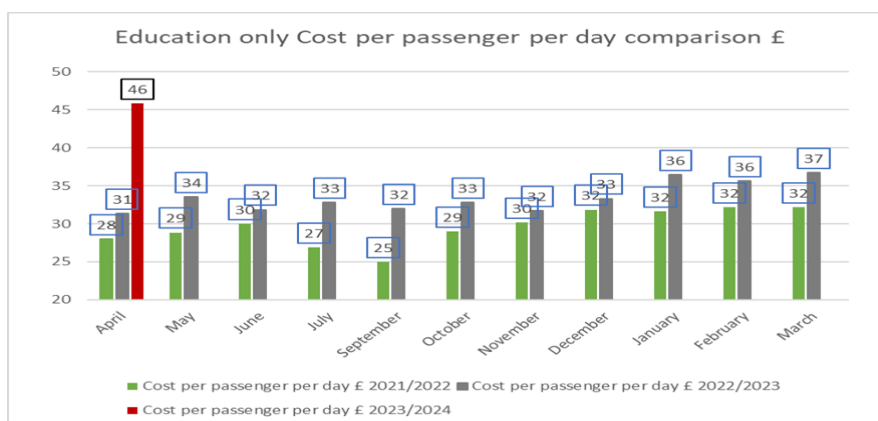
- 2.3.7. The demand for Home to School Travel is growing as a direct link between the number of CYP with an EHCP and travel support. Lack of capacity within the local area results in increasing number of routes the authority thereby increasing Home to School Travel costs.
- 2.3.8. The service demand has seen an increase in routes from 48 to now 72 which is 50% from April 22 to April 23, increase in the number of routes to schools outside the local area, compared to the same period last year and an overall 10% increase in the number of travel routes provided.

Table 5: Number of Routes to Schools Outside the Local Area



- 2.3.9. Total costs per day out of area have increased from £342,000 per day to £479,000 per day which is an increase of 40% in this period and attributed to both the apparent increase in market costs as well as the increase in distance out of area which seems to be increasing.
- 2.3.10. The graph below shows the significant increase in market costs per passenger per day from April 22 to April 23 – all passengers in and out of area. Although this appears to be relating to market rates, further analysis seems to suggest that distance, or greater mileage accounts for this increase rate per passenger.

Table 6: Per Passenger Per Day Education Cost



2.4. Resources Directorate

- 2.4.1. The Resources Directorate is currently reporting no material movement to the revised budget position of £45.6m. Emerging risks and opportunities to this budget position are captured on the risk and opportunities register. At present they are assessed to present no additional net risk.
- 2.4.2. The directorate has identified potential recovery mitigations of £1.6m to be held in abeyance subject to validation of the Council's overspend exposure and Cabinet approval.

2.5. Growth and Regeneration

- 2.5.1. The Growth and Regeneration Directorate is currently reporting no material movement to the revised budget position of £61.6m. Emerging risks and opportunities to this budget position are captured on the risk and opportunities register. These are linked predominantly to a forecast reduction in car parking income, energy price inflation and the risk that in-year savings may not be delivered. They present a net risk of £5.9m which will be mitigated in full by a combination of £4.4m of recovery initiatives and a further £1.5m of unplanned Clean Air Zone opportunities.
- 2.5.2. Alongside the Resources Directorate, the Growth and Regeneration Directorate has also identified £5.0m recovery mitigations to be held in abeyance subject to validation of the Council's overspend exposure and Cabinet approval.

2.6. Corporate

- 2.6.1 The Corporate Directorate has also identified £6.0m of recovery mitigations to be held in abeyance, again subject to validation and Cabinet approval.

3. SAVINGS PROGRAMME – SUMMARY

Table 7: Summary of Savings Delivery

Directorate	Total Savings due in 23/24	Savings with net cost in 23/24	Account for savings that were one-off only in 22/23	Rollover of undelivered savings from previous year	Net - savings as per Budget 23/24	2023/24 Savings reported as safe	2023/24 Savings reported as at risk	
						£m	£m	%
Children & Education	3.2	-0.4	0.0	-0.1	2.6	2.5	0.7	21%
Adults	10.2	-0.6	0.0	-2.4	7.1	5.4	4.7	47%
Resources <i>(incl. Resources led cross-cutting savings)</i>	9.3	0.0	-0.2	-3.1	6.0	8.9	0.4	4%
Growth and Regeneration <i>(incl. G&R led cross cutting savings)</i>	12.9	0.0	-0.2	-2.2	10.5	8.1	4.7	37%
Total	35.5	-1.1	-0.4	-7.8	26.2	25.0	10.5	30%

- 3.1. The General Fund savings programme for 2023/24 agreed by Council and included in the budget was £26.2m (comprising 23/24 savings £16.2m; and £10.0m carried forward from prior years still requiring delivery). In addition to this £26.2m, there was an additional net £9.3m of savings undelivered declared in the 2022/23's provisional outturn report which went to Cabinet in May. In total £35.5m savings will be tracked and require delivering in the current financial year.

- 3.2. As at Period 4, £25.0m (70%) of savings are considered safe and £10.5m (30%) are reported at risk and are being monitored and reviewed for delivery or in-year mitigation where possible. These saving delivery risks are captured in either the forecast outturn above, or directorates' risk and opportunities logs where mitigation is still expected.
- 3.3. Whilst there is £10.5m of savings being reported as risk these are being reviewed for mitigation and management, with the expectation of reducing the potential under delivery. Furthermore the council does retain an optimism bias, set against the delivery of savings, which is held corporately at £6.0m.

4. RISKS AND OPPORTUNITIES

- 4.1. There are other financial risks and opportunities to the Council which have been identified and could materialise during the financial year. These are not reflected in the forecast overspend outlined in paragraph 2.1. They are a combination of costs, savings delivery, income generation and funding opportunities. Cost of living pressures (such as inflation and pay awards) are being captured and monitored against the allowance made within the budget.
- 4.2. The table below summarises these risk and opportunities. These represent a weighted additional net potential risk of £11.9m which is to be fully offset by £6.0m of Adult Peopletoo savings in addition to further savings within the Adult Directorate linked to reducing demand, focused reviews plus focused reablement. Further recovery initiatives of £4.4m and £1.4m of incremental unplanned CAZ income, both within the Growth and Regeneration Directorate, are planned to offset the balance.

Table 8: Risks and Opportunities Summary

Risk/(Opportunity)		£'000
Adult & Communities		6,020
Children & Education		0
Resources		0
Growth & Regeneration		5,868
Corporate		0
Sub-Total		11,888
Less:		
Adult & Communities	Peopletoo/ reducing demand/ focused reviews/ focused reablement	(6,020)
Growth & Regeneration	£4.4 initiatives & £1.4m CAZ opportunities	(5,868)
Sub-Total		(11,888)
Net Total		0

4.3. The net position on risk and opportunities does not yet present a forecast financial pressure as these are either not considered likely to materialise and mitigations are in development and anticipated to be implemented. However, if mitigations are not identified then the likelihood of these risks will inevitably increase and could transition into an actual financial pressure which would add to the current overspend position being reported. If the full value of these risks materialised as forecast pressure this would move the current forecast of £12.1m adverse to one of £24.0m.

5. RECOVERY MITIGATIONS

5.1. A range of efficiency measures have been identified across the Council to mitigate the forecast £12m pressure arising within the Children and Education Directorate.

Table 9: Savings Identified By Directorate/Division

Directorate	Division	Indicative	Latest
Resources	Finance	415,424	438,000
	HR, Workplace & Organisational Design	164,068	164,000
	Legal and Democratic Services	528,544	254,000
	Policy, Strategy and Digital	691,964	698,000
	Total Resources	1,800,000	1,554,000
Growth & Regeneration	Economy of Place	508,126	-
	Housing & Landlord Services	1,198,241	-
	Management of Place	1,629,337	5,000,000
	Property, Assets and Infrastructure	864,296	-
	Total G&R	4,200,000	5,000,000
Children & Education	Children		450,000
	Education		100,000
	Total C&E	-	550,000
Corporate	Total Corporate	6,000,000	6,000,000
	Grand Total	12,000,000	13,104,000

5.2. It is proposed that these efficiency savings are transferred to a Corporate Earmarked Reserve and held there in abeyance until the projected overspends materialise, at which point supplementary estimates will be brought through the appropriate decision pathway for approval.

Table 10: Savings By Theme To Be Held In Abeyance

Directorate	Division		In dicative Target £'s	Latest Position £'s	
Resources	Revenues and Benefits	Grant funding		-168,000	
	Revenues	Summons Income		-60,000	
	Revenues	Draw down from Reserves		-38,000	
	Finance	Insurance claims recovery		-25,000	
	Procurement & Contract Management	Corporate Travel & Accommodation		-75,000	
	Procurement & Contract Management	Operating full cost recovery to PFI Schemes		-42,000	
	Internal Audit	Additional internal audit income		-30,000	
	HR	Additional round of 'annual leave top-up' scheme		-164,000	
	Executive Office	Resource recovery		-5,000	
	Mayor's Office	In-year underspend		-100,000	
	PSP and E&I	Vacancy Management		-185,000	
	Information Governance	Draw down from Reserves		-49,000	
	Digital Strategy and Transformation	Reduction in Third party payments		-58,000	
	Digital Transformation	In-year restructure over-achievement		-235,000	
	Digital Transformation	Release Digital Transformation Programme revenue		-220,000	
	Legal Division-wide	Vacancy Management		-100,000	
		Total Resources		1,800,000	-1,554,000
	Grow th & Regeneration	Highways	Transport Levy		-5,000,000
			Total G&R	4,200,000	-5,000,000
Children & Education	Children	Vacancy Management		-250,000	
	Children	Use of reserves		-100,000	
	Children	Contract review		-45,000	
	Children	One off recharge		-35,000	
	Children	Expenditure Reduction		-20,000	
	Education	Vacancy Management		-100,000	
	Total C&E		-	-550,000	
Corporate	S.106 Interest & other balance sheet items			-200,000	
	Capital financing			-2,000,000	
	Investments			-500,000	
	Corporate Inflation			-3,300,000	
		Total Corporate	6,000,000	-6,000,000	
	Grand Total	12,000,000	-13,104,000		

5.3. Cabinet is asked to approve:

The transfer of these underspends, to be forecast at Q2/P5, to a Corporate Earmarked Reserve where they will be held in abeyance.

6. RING-FENCED BUDGETS

6.1. There are several funds held by the Council where the Council must ensure that the income or grant is ringfenced and only spent in specific service areas. The forecast outturns for these ringfenced budgets are summarised in the table below.

Table 11: P4 2023/24 Summary Full Year Ring-Fenced Fund Forecast

Ring-fenced Budgets Summary	Approved budget	P4 Revised Budget	P4 Forecast	Q1 variance reported	P3/P4 variance	Total variance	Total Variance %
Total Housing Revenue Account	137,365	137,365	140,091	(1,681)	4,407	2,726	2.0%
17 - Dedicated Schools Grant	453,226	452,326	470,981	18,655	0	18,655	4.1%
34 - Public Health Grant	0	(0)	0	0	0	0	-100.0%
Total Ring-fenced Budgets	590,591	589,691	613,798	16,974	4,407	21,380	3.6%

6.2. Housing Revenue Account

6.2.1. The Housing Revenue Account (HRA) is currently forecasting an adverse outturn of at £2.7m (2.0%) when compared to budget. The main drivers of this forecast position are adverse variances of £0.9m for Income (with the main contributing factor to this negative variance being that the handover of certain new schemes is behind schedule because of project delays, negatively impacting the dwelling rent income forecast), and £2.5m on Repairs & Maintenance expenditure (with significant overspends forecasted for relet repairs and fire safety works). These are expected to be partially offset by favourable variances of £0.3m in Supervision & Management, £0.2m in Special Services and £0.2m Net Interest. Any overspend reported at the year end March 2024 will be contained within the HRA general reserves. The movement from previous forecasts reflects the fact that the budget includes allowance for the assumed level of pay increases, whilst the forecast previously did not. There have also been adjustments to interest and depreciation.

6.3. Dedicated Schools Grant

6.3.1. The DSG is reporting an £18.7m deficit against the revised gross budget of £452.3m. Detailed work on the DFE's Delivering Better Value in the SEND Programme continues and the DSG's deficit management plan is still in the process of being refreshed with the latest activity and financial forecast, which will provide an updated unmitigated and mitigated position for 2023/24 and beyond.

6.3.2. Full Council in February 2023 approved a DSG budget of £453.2m (or net amount £197.6m after deduction for academies recoupment, NNDR and direct funding of high needs places by ESFA) per ESFA announcement on 30th March 2023. Revised allocations in July 2023 with changes to the Early Year's block re-set the total allocation and thereby revised the budget to £452.3m (£196.6m net).

Table 12: P4 2023/24 Summary DSG Fund Full Year Forecast

Bristol Dedicated Schools Grant 2023/24	B/f Balance	Gross DSG Funding (Budget) *	Gross DSG Forecast at P4	In-year Variance at P4	Cumulative C/f
£000					
Schools Block	(787)	323,851	323,851	(0)	(787)
De-delegation	(527)		(1)	(1)	(528)
Central School Services Block	8	2,717	2,717	0	8
Early Years Block	(605)	37,432	38,478	1,047	442
High Needs Block	42,520	86,675	103,304	16,629	59,149
High Needs Transformation	(928)	1,627	2,607	980	52
Funding	0	(452,302)	(452,302)	0	0
Total	39,680	0	18,655	18,655	58,335
* Bristol gross DSG allocations before recoupment and deductions for NNDR and direct funding of High Needs places by ESFA. Allocations as at 20-July-2023					

6.4. The Public Health Grant

6.4.1. 5.4.1 Public Health (PH) Grant of £35.7m was awarded for 2023/24 by Public Health England (PHE). At the end of Period 4 Public Health reports no forecast variance to this budget.

6.5. Cabinet is asked to note:

- 1) **Forecast underspend of £1.7m within the HRA and the DSG's forecast in-year deficit of £18.7m accumulating to a total £58.3m deficit to be carried forward from 2023/24 in to 2024/25.**

7. CAPITAL SUMMARY

7.1. The Capital programme budget at Period 4 excluding capital contingencies has increased by £7.9m from £350.2m at Q1/P2 to £358.1m following recently approved Cabinet changes. The latest forecast provided by budget holders is £303.5m (£311.9 P2) which represents a forecast underspend of £54.6m at Period 4 compared to a forecast underspend of £38.3m at Period 2. The spend for the first four months of the year (£44.0m) is low compared to the annual budget (12%) which suggests that a large number of schemes in the programme will need to be re-profiled into future years. The Capital Programme will continually be reviewed, and updates provided accordingly. Further details will be provided at Q2/P5, and approval will be sought for any budget re-profiling adjustments to reflect any revised expectations.

7.2. Growth and Regeneration capital expenditure represents 80% of the General Fund capital programme budget. This directorate is reporting an underspend of £36.9m

against a budget of £174.6m. The main drivers of this variance are the Temple Meads Development (£9.5m), the Clean Air Zone Programme (£6.0m) and the Bristol Beacon Programme (£2.8m)

- 7.3. The year-to-date spend of £24.7m (14%) represents an average of £6.2m per month. To achieve the forecast target for 2023/24, the Growth and Regeneration Directorate will need to increase the average spend per month by £7.9m to an average of £14.1m each month for the rest of the year.
- 7.4. The HRA are reporting an underspend of £6.1m against a Budget of £141.6m. The year-to-date spend of £15.2m (11%) represents an average of £3.8m per month. To achieve the forecast target for 2023/24, the directorate will need to increase the average spend per month by £10.8m to an average of £14.7m each month for the rest of the year.
- 7.5. Further details will be provided at Q2/P5 in relation to the General Fund and approval will be sought for any budget re-profiling adjustments to reflect any revised expectations.

Table 13: P4 2023/24 Capital Programme Forecast Summary By Directorate

Approved Budget (Feb 23) *	Budget Changes upto P4	Directorate	Revised Budget	Actual Spend to date	Budget Spend to date	P4 Forecast Outturn	Variance
£m	£m		£m	£m	%	£m	£m
2.6	(0.5)	Adults & Communities	2.1	0.0	0%	2.1	0.0
24.7	6.7	Childrens & Education	31.4	3.8	12%	21.3	(10.1)
7.7	0.7	Resources	8.4	0.3	4%	6.9	(1.5)
114.5	60.1	Growth and Regeneration	174.6	24.7	14%	137.7	(36.9)
149.5	67.0	GF service Total	216.5	28.8	13%	168.0	(48.5)
133.3	8.3	Housing Revenue Account	141.6	15.2	11%	135.5	(6.1)
133.3	8.3	HRA service Total	141.6	15.2	11%	135.5	(6.1)
282.8	75.3	HRA & GF Service Total	358.1	44.0	12%	303.5	(54.6)
15.3	(11.6)	Corporate Contingencies & Funds	3.7	0.0	0%	(1.8)	(5.5)
298.1	63.7	Capital Programme Grand Total	361.8	44.0	12%	301.7	(60.1)

* Note, 2023/24 approved budget figures do not yet include the 3 additional Budget Amendments agreed at Full Council Feb 23

8. OFFICER EXTERNAL FUNDING

8.1. Changing Futures Programme

Following the government announcement that an additional £7m from the Shared Outcomes Fund is to be invested in the existing Changing Futures areas in 2024/25, the council has developed an application, in conjunction with the Changing Futures Programme Board, to seek a further £800,816 to extend key elements of the programme into 2024/25. This application for funding was submitted on 24th May following Programme Board, Cabinet Member and Executive Director agreement on

the understanding that an emergency key decision be requested in order to accept the funds. DLUHC have since confirmed that the application has been successful. Further details are available in Appendix A2.

8.2. Cabinet is asked to note:

- 1) Application for the extension funding.**
- 2) Acceptance of the extension funding and spend as profiled.**

9. OFFICER EXECUTIVE DECISIONS TAKEN/APPROVED TBC

9.1 Emergency Temporary Accommodation For Afghan Refugees

The Home Office is closing hotels and bridging accommodation for Afghan refugees on 19 August and 31 August 2023 and as a result temporary accommodation is needed for 161 people for an interim period until private rented accommodation becomes available. Further details are available in Appendix A3.

9.2 Cabinet is asked to note:

- 1) The direct award of up to £1.023m, funded from ringfenced Home Office funds, to accommodate Afghan refugees who have been made homeless by the closure of Home Office managed bridging hotels in Bristol.**