

Resources Scrutiny Commission

Agenda



Date: Monday, 30 November 2020

Time: 4.15 pm

Venue: Virtual Meeting - Zoom Committee Meeting
with Public Access via YouTube

Distribution:

Councillors: Stephen Clarke (Chair), Mark Brain (Vice-Chair), Donald Alexander, Mhairi Threlfall, Hibaq Jama, Margaret Hickman, Graham Morris, John Goulandris, Sultan Khan and Clive Stevens

Issued by: Johanna Holmes, Scrutiny Coordinator

City Hall, PO Box 3167, Bristol, BS3 9FS

Tel: 0117 90 36898

E-mail: democratic.services@bristol.gov.uk

Date: Wednesday, 25 November 2020



Agenda

10. Resources Directorate- Period 7 Finance Information

(Pages 3 - 10)



Resources Scrutiny Commission

30th November 2020



Report of: Director of Finance and S151 Officer

Title: Finance Monitoring Report Period 7 (Resources Directorate)

Ward: Citywide

Recommendation:

The Resources Scrutiny Commission is asked to note the following Period 7 Finance Monitoring Report for the Resources Directorate that will be presented to Cabinet on 1st December 2020.

The full Cabinet report can be located at Item 16. using this [LINK](#)



Decision Pathway –Report



TITLE	2020/21 Period 7 Finance Report		
Ward(s)	n/a		
Author: Tian Ze Hao	Job title: Senior Finance Business Partner		
Cabinet lead: Cllr Craig Cheney	Statutory Officer lead: Denise Murray		
Proposal origin: Other			
Decision maker: Cabinet Member			
Decision forum: Cabinet			
Purpose of Report:			
<p>The Council budget for 2020/21 was agreed by Council in February 2020 and this report provides the update on the Council's financial performance at Period 7 (end of October) against the approved budget and forecast use of resources for the financial year 2020/21.</p> <p>The Council continues to operate Directorate cash limited budgets and Executive Directors are responsible for ensuring that appropriate action is taken to contain both revenue and capital spending within the directorate's overall budget limit. Budget holders forecasting a risk of overspend which is not directly related to the pandemic and where potentially recoverable, should in the first instance set out in-service options for mitigation. Where these are considered undeliverable or pressures cannot be contained across the directorate the budget scrutiny process will be triggered and a request may be made for the Executive to consider granting a supplementary estimate redirecting funds from an alternative source.</p>			
Evidence Base:			
<p>The original budget set in February 2020 was balanced over 5 year medium term. For 2020/21 full Council agreed the following:</p> <ul style="list-style-type: none"> ○ The General Fund net budget of £395.7m; (forecast variation at P7 is £80.6m overspend, at P6 was £73.2m), prior to the application of the COVID-19 funding. <p>The Ring-fenced Accounts</p> <ul style="list-style-type: none"> ○ Housing Revenue Account (HRA) of £122.4m gross expenditure budget (forecast underspend of £3.6m at P7) ○ The Dedicated Schools Grant (DSG) budget, including amounts recouped by the Education and Skills Funding Agency for Academies is £374.2m (forecast £8m in-year deficit at P7 and a total £10.91m carried forward deficit) ○ The Public Health budget is £37.5m (no forecast variation at P7, with £0.5m potential drawn down from reserves to cover leisure contract pressures not mitigated by government). <p>Capital Programme</p> <ul style="list-style-type: none"> ○ Capital programme revised budget 2020/21 only is £155.3m for General fund and £50.2m for HRA. (forecast variation at P7 £3.6m underspend) <p><u>COVID-19</u></p> <p>The financial challenges as a result of the COVID 19 pandemic is currently estimated to be £74m (£67.9m in P6) and are attributed to additional costs incurred directly in responding to the pandemic and significant loss on income directly related to restricted activities and /or changing economic climate (see Appendix A for details) noting that this figure will be subject to change as the position evolves and national guidance changes.</p> <p>Up to the end of October the Council had received from the government four tranches of emergency funding support, additional specific grants and estimated funding in the recovery of income losses totalling £69.2m for 2020/21. This can be earmarked that can be used to mitigate the in-year overspend, leaving a residual £4.8m to be addressed and mitigated from Council resources. It should be stated that the impact of the second national lockdown</p>			

and any further restrictive measures to follow to 31 March 2021 has not been fully captured in the above. Further work is required to quantify these costs and any further funding that will be forthcoming from government.

It should be noted that the residual mitigations previously identified will be held in abeyance to manage any related variations that may occur in 2020/21 with any residual amount carried forward to 2021/22 offsetting future year COVID financial pressures.

Also note the COVID 19 related forecast excludes income losses c£12.8million (latest figures) attributed to the reduction in the levels of Council Tax and business rates collected (full detail is available in the Collection Fund Surplus Deficit report) which will have a budgetary impact in 2021/22 and beyond. Plans to address this will be outlined in the 2021/22 budget.

Non COVID 19

The non COVID 19 forecast variations for General Fund in 2020/21 equates to a net £6.6m (£5.3m in P6) overspend mainly relates to pressures in Adult Social Care (£7.8m) which including non-delivery of savings aligned to the Better Lives Programme and Facilities Management. This pressure is partly offset by mitigations identified in other Directorates and service areas. The forecast movements in month are detailed in appendix A.

Ring Fenced budgets

Public Health reported £0.5m potential draw-down from Earmarked Public Health Reserves to support Leisure Services contract pressure during the pandemic not mitigated by the government. HRA reported a forecast underspend of £3.6m due to delays in recruitment and the repairs and maintenance programme. DSG reported a forecast in-year overspend of £8m mainly relates to increase activities in the high-need block and increasing pressures relation COVID and the reopening of the school.

Future Action

General Fund recovery plans continue to be considered across all directorates including a range of management actions that could enable expenditure to be held in abeyance, key service requirements to be delivered and a balance budget position achieved. This position and proposed mitigations will be reported in future monitoring reports once finalised and closely monitored thereafter.

The Council is required to ensure that it has a balanced financial plan after taking into account deliverable cost savings and/or local income growth strategies as well as useable reserves. If during monitoring of the original budget it is considered that significant variations in either expenditure or income may result in an unbalanced budget then alternative action must be taken to bring the budget back into balance. Such action would include drawing-down further from reserves or reducing expenditure.

We recognise that the impact of the pandemic and economic recovery will go beyond a single financial year, therefore significant, sustainable long-term additional finance will be required in order to deliver services in an adverse economic cycle where demand for public services will significantly increase. Please see more details in the published MTFP.

Full detail of revenue spending and forecast is provided in Appendix A and A1 to A6

Full details of Capital spending and forecast is provided in Appendix B and A1 to A6

Recommendations:

That Cabinet Approve:

1. The acceptance and incorporation of £2.635m prospective grant funding into the Council's Revenue budget from new grants as detailed in Appendix A, Section 3.4.2.

That Cabinet note:

2. Risks associated with the forecast outturn and the long-term financial impact on the Council as a result of COVID-19 pandemic.
3. The estimated Collection fund deficit of £12.8m impacting in future years Appendix A, Section 3.5.
4. A risk of non COVID-19 related overspend on General fund services, an overall forecast overspend of £6.6m

for 20/21 at Period 7, representing 1.7% of the approved budget.

5. Forecasts underspend of £3.6m with regard to the Housing Revenue Account.
6. A forecast in-year deficit of £8m and a total £10.9m carried forward deficit in the ring fenced Dedicated Schools Account (DSG).
7. In line with the scheme of delegation the emergency decision record with regards to the distribution of Round 2 (phase 1) Infection Control fund (Appendix A7).
8. A forecast £3.6m underspend against the approved Capital Programme.

Corporate Strategy alignment: This report sets out progress against our budget, part of delivering the financial plan described in the Corporate Strategy 2018-23 (p4) and acting in line with our organisational priority to 'Be responsible financial managers' (p11).

City Benefits: Cross priority report that covers whole of Council's business.

Consultation Details: n/a

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

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice: The resource and financial implications are set out in the report.

Finance Business Partner: Michael Pilcher (Chief Accountant)

2. Legal Advice: The report, including the detail set out in the appendices, will assist Cabinet to monitor the budget position, the ongoing impact of COVID 19 and mitigations put in place, with a view to meeting the Council's legal obligation to deliver a balanced budget.

Legal Team Leader: Nancy Rollason, Head of Legal Service

3. Implications on IT: There are no additional IT implications arising from production of this report.

IT Team Leader : Simon Oliver, ICT

4. HR Advice: Expenditure on staffing is monitored on a monthly basis. Managers are required to manage expenditure within the agreed staffing budget that has been set for 2020/21. As part of the work to refresh of the Medium Term Financial Plan, the workforce implications arising from estimated reductions in the Council's income will require consideration.

HR Partner: Mark Williams, Head of Human Resources

EDM Sign-off	Denise Murray	23/11/20
Cabinet Member sign-off	Cllr Cheney	23/11/20
For Key Decisions - Mayor's Office sign-off	Mayor's Office	23/11/20

Appendix A – P02 Revenue Budget Monitoring Report	YES
Appendix B – P02 Capital Budget Monitoring Report	YES

a: Revenue Budget Monitor

	Revised Budget	Forecast Outturn	Outturn Variance	Of which :	
				Covid	Non Covid
P07	£50.5m	£58.9m	£8.4m overspend	£8.5m	£(0.1)m
P06	£50.6m	£58.1m	£7.7m overspend	£8.1m	(£0.4m)

May	June	Aug	Sept	Oct	Nov	Dec	Jan	Feb
7.6	5.4	8.7	7.7	8.4				
	▲	▼	▲	▼				

Position by Division

Period 7 Budget Monitoring - Summary

General Fund	2020/21 - Full Year			P7 Forecast Variance				Movement vs P6: Increase /(Decrease)		
	Revised Budget	Revised Outturn	Revised Outturn Variance	COVID-19 Exp	COVID-19 Inc	COVID	Non-COVID	COVID	Non-COVID	Total Movement
	£000s			£000s		£000s		£000s		
Resources										
Digital Transformation	15,598	14,956	(642)	200	350	550	(1,192)	250	(0)	250
Legal and Democratic Services	8,164	8,802	638	695	277	972	(334)	0	(67)	(67)
Finance	9,044	13,898	4,854	3,614	1,985	5,599	(745)	117	(90)	27
HR, Workplace & Organisational Design	14,337	17,886	3,549	600	680	1,280	2,269	(3)	492	489
Policy, Strategy & Partnerships	3,384	3,384	0	60	0	60	(60)	0	(9)	(9)
Total Resources	50,527	58,926	8,399	5,169	3,292	8,461	(62)	364	326	690

Key Messages:

There has been slight budget movement in Period 7 so that, in order to complete the transfer of Cultural Services, £42k full year budget has with approval moved from Resources to the Growth and Regeneration Directorate.

The full year forecast position has deteriorated by a further £0.7m this month. £0.4m of this is driven by Covid whilst £0.3m is not directly due to Covid.

In closer detail –

- Digital Transformation has reduced its previous forecast underspend by £0.3m down from a net £0.9m to a £0.6m underspend. This move recognises that Covid has required an increased spend in smartphones and dongles to facilitate working from home.
 - Legal and Democratic Services indicate a small improvement in full year forecast reflecting an expectation that court costs will be lower than previously expected and that more of the Legal team's workload relates to and will therefore be rechargeable to Capital projects.
 - Finance shows a negligible net move in the month. However the Benefits service is forecasting an additional £0.2m pressure due to the provision of free school meals during October half-term. Offsetting this to some extent, Procurement is forecasting up to a £0.1m improvement to its assessed view of PPE costs. These are both Covid-related.
- The Revenues service sees a £0.1m reduction in costs for non-Covid reasons. It predicts that there will be various one-off non-staff related savings this year, for example in printing costs and also due to the deferral of the single person discount.

- HR, Workplace and Organisational Design are now presented here with Facilities Management and those services remaining under Commercialisation and Citizens since the recent disaggregation of this division also included. The division shows a deterioration in forecast for non-Covid reasons of £0.5m. This is due to a £0.2m reduction in Trading With Schools requirement for contracted HR Services as schools continue to reclassify as academies. In addition, during business consolidation of Facilities Management and Commercialisation & Citizens, previously reported £0.3m duplication of saving was identified and removed.

Savings Delivery

20/21 Resources Directorate Savings Target (£'000s):							3,258															
	This month			Last month			Top 5 largest savings at risk in 20/21 (ordered by size of saving at risk)															
	Total value of savings (£'000s)	Value at risk (£'000s)	Proportion at risk	Total value of savings (£'000s)	Value at risk (£'000s)	Proportion at risk																
No - savings are at risk	0	0	n/a	0	0	n/a	<table border="1"> <thead> <tr> <th>ID</th> <th>Name of Proposal</th> <th>Value at Risk in 20/21 (£'000)</th> </tr> </thead> <tbody> <tr> <td></td> <td>No savings reporting as at risk in 20/21</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	ID	Name of Proposal	Value at Risk in 20/21 (£'000)		No savings reporting as at risk in 20/21										
ID	Name of Proposal	Value at Risk in 20/21 (£'000)																				
	No savings reporting as at risk in 20/21																					
Yes - savings are safe	1,832	0	0%	1,832	0	0%																
SAVING CLOSED - CONFIRMED AS SECURED & NOT AT RISK	1,426	0	0%	1,426	0	0%																
NO RAG PROVIDED	0	0	n/a	0	0	n/a																
Grand Total	3,258	0	0%	3,258	0	0%																
n/a - represents one off savings or mitigations in previous year	-1,340	0	0%	-1,340	0	0%	<table border="1"> <thead> <tr> <th colspan="3">Mitigated savings from previous years' that remain 'due' for delivery this year (£m)</th> </tr> </thead> <tbody> <tr> <td>Amount due from previous year(s):</td> <td>£</td> <td>1.60</td> </tr> <tr> <td>Amount reported at risk:</td> <td>£</td> <td>-</td> </tr> </tbody> </table>	Mitigated savings from previous years' that remain 'due' for delivery this year (£m)			Amount due from previous year(s):	£	1.60	Amount reported at risk:	£	-						
Mitigated savings from previous years' that remain 'due' for delivery this year (£m)																						
Amount due from previous year(s):	£	1.60																				
Amount reported at risk:	£	-																				
Accelerated efficiencies (balancing line)	268	0	0%	268	0	0%																
WRITTEN OFF	0	0	n/a	0	0	n/a																
Grand Total	2,186	0	0%	2,186	0	0%																

Key Changes since last month:
NO CHANGES IN P7 - reminder below of the key changes in P6:
 1. There have been a number of significant changes for the Resources Directorate this month due to the Change Request approved at DE on the 30/09/20. A large number of the 20/21 savings in 20/21 weren't deliverable and have 'rolled over' into 21/22. This change request confirms mitigation for a large group of savings in resources via IT underspend or Covid funds. The changes relating to 20/21 are as follows:
 - BE42 Reducing Fraud & Avoidance - split into BE42-a and BE42-b, with £50k relating to COVID-19 mitigation and the remaining £50k to continue as original plans. Both are marked **as safe** for 20/21.
 - BE43 Improved Debt Management - split into BE43-a and BE43-b, with £50k relating to in year COVID-19 mitigation and the remaining £100k rolling into 21/22. Marked **as safe** for 20/21 and 21/22.
 - BE6-7 18/19 rollover - mitigation for Workforce Policy & Review - split into BE6-7-a and BE6-7-b, with £23k relating to OTHER mitigation and £60k in line with original plans (both now marked **as safe**).
 - IN23-2 18/19 rollover - More income from commercial opportunities - split into IN23-2-a and IN23-2-b, with £150k relating to in year COVID-19 mitigation and £310k relating to OTHER mitigation, both of which have been marked **as safe** for 20/21.
 - NEW 1-2x and NEW 1-2y 17/18 rollover Facilities Management savings - split into NEW1-2x-a and NEW1-2y-a, with £446k relating to in year COVID-19 mitigation and £49k relating to OTHER mitigation, both of which have been marked **as safe** for 20/21.
 - BE7-4 18/19 rollover - CORPORATE SAVING now reporting full £120k **as safe** for 20/21
 - NEW 3-2 17/18 rollover - generate additional income from our historical assets - now reporting full £250k **as safe** for 20/21

b: Risks and Opportunities

Risk or Opportunity	Description of impact	Risk/(Opportunity) £	Likelihood (%age)	Net Risk /(Opportunity) £
Risk	Annual LA errors for 19/20 going above the lower or upper threshold following external audit review. Risk estimated to be between £400k to £500k.	450,000	50%	225,000
Opportunity	Reduction in Subsidy income received, relating to the LA Error going above the lower or upper threshold for the previous financial year will be met from earmarked reserves.	(450,000)	50%	(225,000)
Opportunity	Forecast assumes that locums will be engaged until the end of the financial year. This is dependent on the implementation of the team re-structure	(280,000)	25%	(70,000)
Opportunity	Facilities Management	(522,000)	50%	(261,000)
Risk	Digital Transformation - Contracts	300,000	100%	300,000
Opportunity	Digital Transformation - Contracts	(300,000)	50%	(150,000)
Risk	Digital Transformation - Internal Income Recharge	300,000	100%	300,000
Opportunity	Digital Transformation - Internal Income Recharge	(100,000)	100%	(100,000)
				76,686

c: Capital

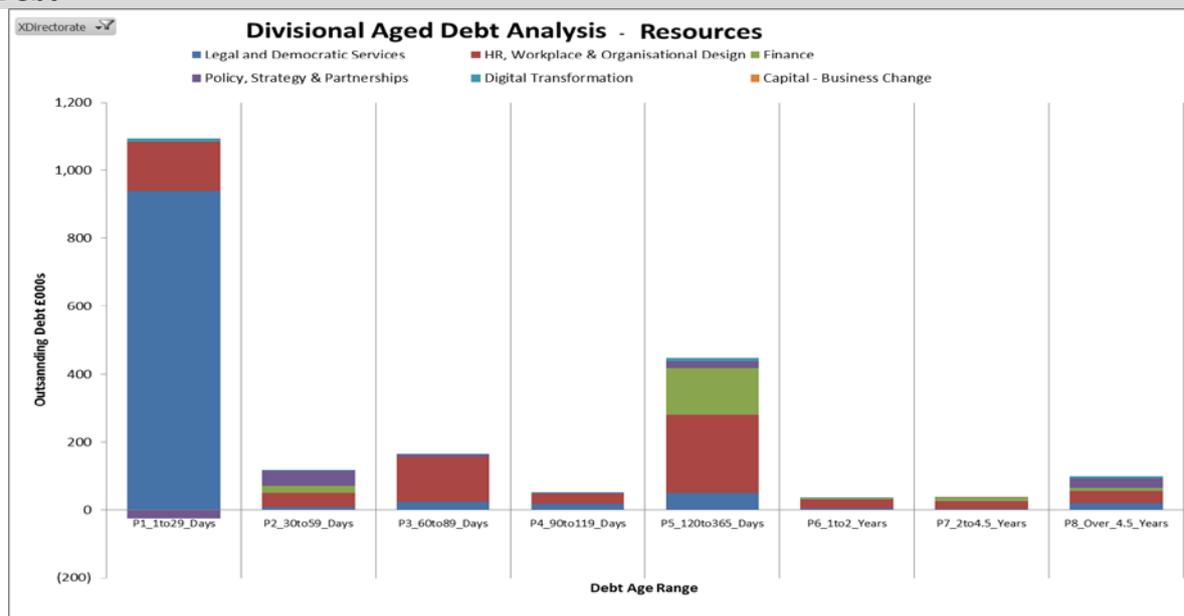
Approved Budget £17.7m	Revised Budget £17.9m	Expenditure to Date £13.8m 77% of Budget	Forecast Outturn £18.0m 101% of budget	Outturn Variance £0.1m
---	--	--	--	---

Gross Expenditure by Programme			Current Year (FY2020)				Scheme Total for Current Timeframe (FY2020 : FY2024)				
Ref	Scheme	Description	Budget	Budget Manager Forecast	Variance based on budget manager forecast		Budget	Forecast	Variance		
			£000s	£000s	£000s	%	£000s	£000s	£000s	%	
Resources											
PL21	Building Practice Service - Essential H&S	Health & Safety works to maintain the structural fabric and condition of existing Council buildings to meet statutory compliance.	2,200	2,200	(0)	0%	11,698	11,698	0	0%	
PL27	Vehicle Fleet Replacement Programme	Vehicle Fleet replacement programme.	1,244	1,244	0	0%	3,345	3,345	0	0%	
RE01	ICT Refresh Programme	A programme of investment to replace and upgrade the Council's ICT assets.	5,643	5,643	0	0%	9,753	9,753	0	0%	
RE02	ICT Development - HR/Finance	Development of HR/Finance System.	517	517	0	0%	517	517	0	0%	
RE03	ITTP – IT Transformation Programme	Investment that will be required to support ICT infrastructure including a Cloud Hosting solution.	8,317	8,351	34	0%	8,459	8,459	0	0%	
XX02	Technical Accounting (Year end adjustments)	NA	0	80	80	0%	0	80	80	0%	
Total Resources			17,921	18,034	114	1%	33,772	33,852	80	0%	

Key Messages:

- IT Transformation Programme has increased its current year forecast by a further £34k, again accelerating budget previously planned for 21/22 in to 20/21. Its' total forecast programme spend remains in line with the programme's approved budget.
- The Technical Accounting line item of £80k represents Covid-related emergency Capital IT purchases (such as laptops). Both these low level pressures in current year spend will be offset by forecast underspends across other BCC Directorate projects.

d: Aged Debt



Within Resources, outstanding income now totals £2.0m representing an increase of £0.7m since last month. £1.4m of this falls within the 1 - 119 days window and relates largely to Facilities Management Services. At 120 days the debt is referred to the Council's Debt Recovery Team. The 120 - 4.5 years window represents £0.6m of which £0.3m relates to 3 companies and pay recovery is being progressed. A further £0.1m is in the process of being written off having previously been fully provided against.