

## Bristol City Council June 2020 (P3) Revenue Finance Report

### 1 FORECAST GENERAL FUND REVENUE SUMMARY POSITION

1.1 Table 1 below provides a summary of the current 2020/21 forecast General Fund position by directorate.

Table 1 General Fund P3 Directorate Level Forecast

General Fund	2020/21 - Full Year			P3 Forecast Variance		Movement vs P2: Increase /(Decrease)		
	Revised Budget	Revised Outturn	Revised Outturn Variance	COVID	Non-COVID	COVID	Non-COVID	Total Movement
	£000s			£000s		£000s		
<b>People</b>								
Adult Social Care	148,320	176,505	28,185	20,395	7,790	0	464	464
Children and Families Services	60,418	63,314	2,896	2,640	256	123	90	214
Educational Improvement	11,992	13,851	1,859	978	881	(24)	(0)	(24)
Public Health - General Fund	1,623	3,209	1,586	1,586	(0)	1,480	(0)	1,480
<b>Total People</b>	<b>222,353</b>	<b>256,878</b>	<b>34,525</b>	<b>25,599</b>	<b>8,926</b>	<b>1,580</b>	<b>553</b>	<b>2,133</b>
<b>Resources</b>								
Digital Transformation	11,423	10,442	(981)	0	(981)	0	(464)	(464)
Legal and Democratic Services	7,190	7,936	746	940	(194)	0	(254)	(254)
Finance	11,291	13,174	1,882	2,601	(719)	(31)	(688)	(719)
HR, Workplace & Organisational Design	10,368	10,583	215	0	215	0	(120)	(120)
Policy, Strategy & Partnerships	3,155	3,274	119	150	(31)	0	(8)	(8)
FM Services	2,866	5,257	2,390	950	1,440	0	76	76
COVID-19 expenditure	0	19	19	0	19	0	19	19
Commercialisation & Citizens	7,524	8,620	1,095	1,900	(805)	0	(660)	(660)
<b>Total Resources</b>	<b>53,819</b>	<b>59,304</b>	<b>5,485</b>	<b>6,541</b>	<b>(1,056)</b>	<b>(31)</b>	<b>(2,100)</b>	<b>(2,131)</b>
<b>Growth &amp; Regeneration</b>								
Housing & Landlord Services	12,176	17,734	5,559	4,979	580	166	0	166
Development of Place	1,074	2,448	1,375	1,530	(155)	(581)	398	(183)
Economy of Place	3,691	11,550	7,859	6,691	1,168	376	31	407
Management of Place	43,671	57,771	14,100	16,690	(2,590)	(2,141)	(370)	(2,511)
<b>Total Growth &amp; Regeneration</b>	<b>60,611</b>	<b>89,504</b>	<b>28,893</b>	<b>29,890</b>	<b>(997)</b>	<b>(2,180)</b>	<b>59</b>	<b>(2,121)</b>
<b>SERVICE NET EXPENDITURE</b>	<b>336,783</b>	<b>405,686</b>	<b>68,903</b>	<b>62,030</b>	<b>6,873</b>	<b>(631)</b>	<b>(1,488)</b>	<b>(2,119)</b>
Levies	857	857	0	0	0	0	0	0
Corporate Expenditure	57,340	65,410	8,069	8,069	0	2,613	(351)	2,262
Capital Financing	728	728	0	0	0	0	0	0
<b>TOTAL REVENUE NET EXPENDITURE</b>	<b>395,708</b>	<b>472,681</b>	<b>76,973</b>	<b>70,099</b>	<b>6,874</b>	<b>1,982</b>	<b>(1,838)</b>	<b>144</b>

1.2 At Period 3 (June), The Council is forecasting a £76.9m overspend (£76.8m in P2) against the approved General Fund budget (£395.7m), of which £70.1m overspend relates to the impact of COVID 19 pandemic (£68.1 in P2) and the remaining £6.9m attributes to non-COVID financial cost pressures (£8.7m in P2).

### 2 NON-COVID RELATED RISK OF OVERSPEND

2.1 At P3, budget managers are currently forecasting emerging risks and potential for further overspends by £6.9m (£8.7m in P2) with reasons NOT directly attributed to

the COVID 19 pandemic. This figure takes in to account natural reductions in expenditure during the year and further in-year mitigations identified following management actions since P2. This has however been partly offset by a further increasing budget pressures primarily within Adult and Children social care but overall resulting in a net reduced risk of overspend by £1.8m compared to P2.

### 2.2 The areas forecasting an unmitigated risk of overspend are predominantly within the People Directorate:

#### *People Directorate*

- Adult Social care forecasted a £7.8m risk to overspend (£7.3m in P2) mainly relates to undelivered savings in year and carried forward from 2019/20 plus market pressures resulting in the need for a continuation of service provision previously allocated on a one-off basis.
- Children social care has a £0.26m forecast risk of overspend (£0.17m in P2): related to savings at risk and on-going increases in out of area placement cost
- Home to School Transport £0.88m risk of overspend, (no movement from P2): this is attributed to underlying increase in the demand for the service which is likely to be further exacerbated with school reopening with potential social distancing transport requirements and need for additional vehicles and journeys.

Further areas of directorate pressures are summarised below; however it should be noted that these are proposed to be fully mitigated, via holding in abeyance non-essential spend and crystallising efficiencies experienced such as reduce staff costs / travel etc. during the earlier stages of the pandemic.

#### *Growth and Regeneration*

- Development of Place - there is an increase in cost pressure c£0.4m, compensatory short term in year mitigations for this pressure has been identified within the Growth and Regeneration Directorate as a whole in P3.

#### *Resources Directorate*

- Facility Management services £1.4m (£1.37m in P2) – this has been an on-going legacy challenge in the service for delivering a centralised service with efficiencies and income, mitigations delayed as a result of the pandemic.
- HR overspend £0.21m (£0.33m in P2 ) - mainly due to the reduced income from the staff annual leave top-up scheme as up take is significantly reduced for 2020/21, following the COVID19 restrictions. The position is slowly improving but unlikely to back to anticipated levels within this financial year.

- Compensatory short term in year mitigations for these pressures has been identified within the Resource Directorate as a whole in P3.

2.3 As the year progresses, budget holders will continue to identify opportunities for recovery and delivering the needs of the service in a sustainable manner. In this regard a detailed review is underway within Adult Social Care division to consider the opportunities and service plans further and report back to Cabinet in due course with the recovery plans for consideration.

### **3 COVID 19 IMPACT AND GOVERNMENT FUNDING SUPPORT**

#### **3.1 SUMMARY POSITION**

3.1.1 Based on the P3 Directorate forecast the General fund Revenue funding gap due to COVID 19 (excluding collection fund) is estimated to be £70.1m in 2020/21 (see Table 1 above and directorate appendices for details). This position has deteriorated by £2.0m since P2 mainly due to the additional liability attributed to maintaining and reopening the Council's Leisure service contract (£0.5m), the obligations under PFI contract (£0.9m), an increase in forecast spend for homeless accommodation (0.2m) and the additional forecast expenditure for opening highstreets safely (0.4m) funded by a government grant. The Council continues to press the government for additional financial support necessary to ensure all response expenditure including additional costs of leisure services and income loss due to the pandemic.

**Table 2 Overspend Due to COVID-19**

General Fund	P3 Forecast Variance		
	COVID-19 Exp	COVID-19 Inc	COVID Total
	£000s		£000s
<b>People</b>			
Adult Social Care	18,590	1,805	20,395
Children and Families Services	2,640		2,640
Educational Improvement	258	720	978
Public Health - General Fund	1,586		1,586
<b>Total People</b>	<b>23,074</b>	<b>2,525</b>	<b>25,599</b>
<b>Resources</b>			
Digital Transformation	0	0	0
Legal and Democratic Services	640	300	940
Finance	2,601	0	2,601
HR, Workplace & Organisational Design	0	0	0
Policy, Strategy & Partnerships	150	0	150
FM Services	600	350	950
COVID-19 expenditure			0
Commercialisation & Citizens	994	906	1,900
<b>Total Resources</b>	<b>4,985</b>	<b>1,556</b>	<b>6,541</b>
<b>Growth &amp; Regeneration</b>			
Housing & Landlord Services	4,979		4,979
Development of Place	40	1,490	1,530
Economy of Place	933	5,758	6,691
Management of Place	1,711	14,979	16,690
<b>Total Growth &amp; Regeneration</b>	<b>7,663</b>	<b>22,227</b>	<b>29,890</b>
<b>SERVICE NET EXPENDITURE</b>	<b>35,722</b>	<b>26,308</b>	<b>62,030</b>
Levies	0		0
Corporate Expenditure	150	7,919	8,069
Capital Financing	0	0	0
<b>TOTAL REVENUE NET EXPENDITURE</b>	<b>35,872</b>	<b>34,227</b>	<b>70,099</b>

### 3.2 EMERGENCY RESPONSE EXPENDITURE

3.2.1 The level of emergency response expenditure reported at P3 is £70.1m. This is largely consistent with P2 overall, except for the following areas:

- Additional approved spending attributed to maintaining and reopening the Council's Leisure service Contract (£0.5m) and PFI Contract (0.9m).
- Additional £0.4m forecast expenditure for opening highstreets safely funded by government grant
- Housing homelessness - there is an increase in cost pressure c£0.2m comparing to P2 due to temporary provisions for rough sleeper and related move on cost. **Please note this increase is subject to formal approval.**

3.2.2 Please see details provided in Directorate Appendices.

3.2.3 To date the Government funding received and announced has offset to a large extent the in-year COVID 19 related financial pressures in 2020/21; however a £13.9m in-year budgetary gap still remains due to the pandemic. The table below

illustrates the government funding allocation that can be utilised to offset the in-year revenue gap.

### 3.3 LOSS OF SERVICE INCOME

- 3.3.1 The forecasted loss of service income remains in line with earlier forecast and total loss of service income for the year is forecast to be £34.2m, there has been a slight improvement from P2 (0.6m).
- 3.3.2 Please note that whilst there is an appetite from the central government to support local authorities in funding some of the income losses on fees and charges, the detailed guidance had not been finalised and issued at the point of writing this report. Recent draft guidance adds greater complexity and indicates a material deterioration from the income grant originally estimated (£20.6m, Table 3). The final details are still to be confirmed by MHCLG and these will be fully modelled and worked through once final guidance issued.
- 3.3.3 Please see further details provided in Directorate Appendices which is largely consistent with P2.

### 3.4 GOVERNMENT COVID FUNDING, GF RESIDUAL GAP AND MITIGATIONS

#### Government Funding

- 3.4.1 To date the Council had received three tranches of emergency funding support, additional specific grants from the Government and estimated funding in the recovery of income losses totalling £56.6m, and £0.5m of which was utilised against the COVID 19 financial impact in 2019/20. This report proposes the utilisation of these funding streams to support / mitigate the reported COVID 19 financial pressures.

Table 3 GF Government Emergency Funding and Residual Gap

Government COVID Response Funding	National	Bristol Share
	£m	£m
Emergency Funding Tranche 1 (excl. 0.5m utilised in 19/20)	1,600	13.044
Emergency Funding Tranche 2	1,600	12.906
COVID 19 Emergency Funding - Third Tranche	500	4.000
<b>New:</b> COVID 19 Emergency Funding - Third Tranche – Increase allocation - confirmed	As above	0.580

Infection control	600	4.025
<b>New:</b> Open high street Safely fund		0.416
Partial Hardship fund (matching gross forecast under benefit)		0.600
COVID 19 Fees and Charge Income Grant (evolving position as forecast changes and high risk; detailed work needed following issue of guidance on the methodology)	n/a	20.606
<b>Total Offset to GF Revenue Pressures</b>		<b>56.177</b>
<b>P3 Forecast COVID overspend (net of small Homeless grant)</b>		<b>70.099</b>
<b>General Fund Residual Gap</b>		<b>13.922</b>

- 3.4.2 Please note that the Council is currently preparing to bid for new funding from MHCLG to support the move on costs of rough sleepers accommodated from hotels following the pandemic.
- 3.4.3 The revised residual funding gap relating to COVID now stands at £13.9m, see table below for the proposed funding and mitigations.

Table 4 COVID Mitigation Plan

COVID Mitigation Plan	£m
<b>Residual GF Financial Gap due to COVID 19</b>	<b>13.922</b>
Estimated Furlough Income	-1.700
Capital Financing (various)	-5.995
<b>New:</b> Use of Earmarked Reserves (Public Health £0.5m & PFI £0.9m)	-1.417
<b>Use of general reserve above £20m</b>	-3.100
Use of resilience reserve	-1.710
<b>Balance</b>	<b>0.000</b>

### 3.5 REGULATORY INCOME LOSS

- 3.5.1 The estimated total income loss on collection fund is £32.9m. Please note that the collection fund shortfalls will impact on the Council's cash position in 2020/21 however the budgetary impact will fall in the following year 2021/22. Recent Government announcement indicates they will be bringing in changes to enable Councils to spread collection fund tax deficits over 3 years rather than all being met

in 2021/21. These changes however will not solve the problem but rather buying more time to introduce measures to mitigate the on-going gap.

### **Council Tax**

- 3.5.2 Council tax (CT) including preceptor's income: Like many councils we set our Council Tax budget for 2020/21 with a 3.99% increase (1.99% for general requirements plus 2% specifically for adult social care). The Council's budgeted income from Council Tax is £226.1m and represents 57% of the net budget requirement (£395.7m).
- 3.5.3 For Bristol reductions in Council Tax income is the largest single income loss which is estimated to be £22.3m by March 2021 (same level in P2 forecast). The reduction mainly due to increase in Council Tax reduction scheme (CTRS) for working age adults, reduction in collection rate and delays in housing growth.

### **Business Rates**

- 3.5.4 Business rates (BR): The Council's BR income is £136.7m in 2020/21 represents 35% of the net budget requirement (£395.7m). Assuming all tax-breaks for businesses are funded by Central Government we estimate a reduction c8% (£10.6m consistent with previous estimate) of business rate income as a result of unavoidable business insolvencies and reduction on debt collection rate within the Bristol area.
- 3.5.5 Note that under the business rates retention scheme, the Government currently operates and levy and the safety net system where BR income is guaranteed at the safety net level for local authorities. However Bristol's safety net entitlements is calculated to be £116.2m for 2020/21, this would mean that the safety net mechanism will not be triggered before income losses reach £20.5m.
- 3.5.6 Works are currently under way for the MTFP refresh and Business Planning; mitigations will be explored for the pressures above which include holding earmarked reserves in abeyance subject to mitigation plans being confirmed.

## **4 RING-FENCED BUDGET**

### **4.1 HRA**

- 4.1.1 HRA is currently reporting a forecast underspend of £1m at P3 (forecasted a balance position in P2).
- 4.1.2 HRA is a ring-fence budget, any COVID pressures may be offset by in-year vacancies due to delays in recruitment plans, repair and maintenance programme and capital programme. HRA reserve is also available which will enable the budget to be delivered with any in-year emergent pressures.

- 4.1.3 The forecast COVID impact on HRA ring fenced account is £5m which consists of £4.1m on loss of income / increases in bad debt, and £0.9m increased in costs including additional staffing pressures and PPE.
- 4.1.4 For the time being no in year adjustment of spend for 2020/21 is required for HRA related budgets although this position will be monitored in the context of the issues raised above. The forecast underspend if it materialises will be transferred to the HRA reserve. Please see Appendix A4 for more detail.

### 4.2 DSG

- 4.2.1 DGS challenges will remain in 2020/21, at P3 DGS service is forecasting a £3.3m in year pressure mainly relates to deficit the high-needs block in addition to a carried forward deficit of £2.9m from the previous year. The forecast cumulative deficit for 2020/21 is £6.2m. Please see appendix A5 for more detail.
- 4.2.2 The main area for concern is the High Needs block which is forecasting an overspend in-year at £3.1m, despite an increase in funding in this block. The Education Transformation Programme commenced this year and is primarily concerned with SEN and consequently the High Needs Block. Nationally this is an area where many authorities are experiencing difficulties and continues lobbying on government is needed for more sustainable future funding.
- 4.2.3 During the pandemic, most schools remained open to provide education to children of Key Workers and vulnerable pupils. Any additional costs incurred by schools during this time were able to be reclaimed from ESFA. The funding into the DSG was unaffected by COVID, and also the amounts paid to schools continued at pre-COVID levels following DfE guidance.
- 4.2.4 Consideration should be given to the long term sustainability of the DSG taking into account changes in practices in schools during the pandemic and how these forecast pressures will materialise during and after the pandemic. Continuous government lobbying is required.

### 4.3 Public Health

- 4.3.1 Public Health is forecasting £1.5m overspend (a mixture of General fund and Ring-fenced account), of which £0.5m relates to the increased costs of contract variations and £0.9m for the obligations under PFI contracts to support the maintaining and reopening of leisure provision in the city during the pandemic. These are mitigated by drawing down from the Public Health Earmarked Reserve and the PFI Reserve.
- 4.3.2 The Council will continue to press for additional support from government in introducing measures to support local authorities' leisure services.