

Bristol City Council August 2020 (P4/5) Revenue Finance Report

1 FORECAST GENERAL FUND REVENUE SUMMARY POSITION

- 1.1 At Period 5 (August), the Council is forecasting a £75.8m overspend (£76.9m in P3) against the approved General Fund budget (£395.7m), of which £68.7m overspend relates to the impact of COVID 19 pandemic (£70.1m in P3) and the remaining £7.1m attributes to non-COVID financial cost pressures (£6.9m in P3).
- 1.2 Table 1 below provides a summary of the current 2020/21 forecast General Fund position by directorate.

Table 1 General Fund P5 Directorate Level Forecast

	2020/21 - Full Year			P5 Forecast Variance		Movement vs P3: Increase /(Decrease)		
	Revised Budget	Forecast Outturn	Revised Outturn Variance	Covid	Non-COVID	COVID	Non-COVID	Total Movement
	£000s			£000s		£000s		
People								
Adult Social Care	147,720	176,668	28,948	21,200	7,748	805	(41)	763
Children and Families Services	60,777	63,529	2,752	2,640	112	0	(144)	(144)
Educational Improvement	11,866	13,508	1,642	802	840	(176)	(41)	(217)
Public Health - General Fund	1,623	3,193	1,570	1,570	0	(16)	0	(16)
Total People	221,987	256,898	34,911	26,211	8,700	612	(226)	386
Resources								
Digital Transformation	12,020	11,270	(750)	0	(750)	0	231	231
Legal and Democratic Services	7,190	8,036	845	970	(125)	30	70	100
Finance	8,776	13,390	4,614	5,379	(765)	2,778	(47)	2,731
HR, Workplace & Organisational Design	10,204	10,377	173	0	173	0	(42)	(42)
Policy, Strategy & Partnerships	3,320	3,327	7	60	(53)	(90)	(21)	(111)
FM Services	3,257	5,264	2,007	850	1,157	(100)	(283)	(383)
Commercialisation & Citizens	7,149	8,993	1,844	2,102	(258)	202	546	748
Total Resources	51,917	60,657	8,740	9,361	(621)	2,820	435	3,255
Growth & Regeneration								
Housing & Landlord Services	14,676	20,023	5,348	4,882	466	(97)	(114)	(211)
Development of Place	1,308	2,415	1,107	1,582	(475)	52	(320)	(268)
Economy of Place	3,453	11,110	7,658	6,647	1,010	(44)	(158)	(202)
Management of Place	43,676	56,032	12,356	14,268	(1,912)	(2,422)	677	(1,745)
Total Growth & Regeneration	63,112	89,580	26,468	27,380	(912)	(2,510)	85	(2,425)
SERVICE NET EXPENDITURE	337,016	407,135	70,119	62,952	7,167	922	294	1,215
Levies	857	857	0	0	0	0	0	0
Corporate Expenditure	57,107	63,047	5,940	5,745	195	(2,324)	195	(2,129)
Capital Financing	728	479	(249)	0	(249)	0	(249)	(249)
TOTAL REVENUE NET EXPENDITURE	395,708	471,518	75,810	68,697	7,114	(1,402)	240	(1,162)

2 NON-COVID RELATED RISK OF OVERSPEND

- 2.1 At P5, budget managers are currently forecasting emerging risks and potential for further overspends by £7.1m (£6.9m in P3) with reasons not directly attributed to the COVID 19 pandemic.
- 2.2 The areas forecasting an unmitigated risk of overspend are predominantly within the People Directorate:

People Directorate

- Adult Social care forecasted a £7.7m risk to overspend (£7.8m in P3) mainly relates to market pressures resulting in the need for a continuation of service provision previously allocated on a one-off basis.
- Children social care has a £0.1m forecast risk of overspend (£0.3m in P3): related to savings at risk and on-going increases in out of area placement cost
- Home to School Transport £0.9m risk of overspend, (£0.9m in P3): this is attributed to underlying increase in the demand for the service.

2.3 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.

Resources Directorate

- Digital Transformation's favourable forecast has reduced by £0.2m (to £0.75m) representing second year licence costs linked to the IT Transformation Programme.
- Commercialisation and Citizens has reported a further risk to overspend £0.6m and this partly reflects the £0.4m transfer of budget responsibilities from FM services aligning with operational activities also takes into account delay to mitigation of other legacy challenges as a consequence of COVID restrictions.
- Compensatory short term in year mitigations for these pressures has been identified within the Resource Directorate at P5, in addition the net forecast of £0.6m underspend will offset the forecast overspend mentioned above in People Directorate.

2.4 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 P5 Directorate forecast the General fund Revenue funding gap due to COVID 19 (excluding collection fund) is estimated to be £68.7m in 2020/21 (see Table 1 above and directorate appendices for details). This position has improved by £1.4m primarily as the income losses for sales, fees and charges are lower than initially anticipated; however this impacts on the level of grant which is available to

mitigate these losses. 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

	COVID-19 Exp	COVID-19 Inc	Total
	£000s		£000s
People			
Adult Social Care	19,395	1,805	21,200
Children and Families Services	2,640	0	2,640
Educational Improvement	146	656	802
Public Health - General Fund	1,570	0	1,570
Total People	23,751	2,461	26,211
Resources			
Legal and Democratic Services	693	277	970
Finance	3,985	1,394	5,379
Policy, Strategy & Partnerships	60	0	60
FM Services	600	250	850
Commercialisation & Citizens	940	1,162	2,102
Total Resources	6,278	3,083	9,361
Growth & Regeneration			
Housing & Landlord Services	4,882	0	4,882
Development of Place	0	1,582	1,582
Economy of Place	946	5,701	6,647
Management of Place	2,053	12,215	14,268
Total Growth & Regeneration	7,881	19,498	27,380
SERVICE NET EXPENDITURE	37,910	25,042	62,952
Corporate Expenditure	2,150	3,595	5,745
TOTAL REVENUE NET EXPENDITURE	40,060	28,637	68,697

3.2 EMERGENCY RESPONSE EXPENDITURE

3.2.1 The level of emergency response expenditure reported at P5 is £68.7m. This is a reduction of £1.4m since P3 and while many are largely consistent with P3 overall, the following areas have changed:

- Additional costs attributed to maintaining and reopening the Council's Leisure service Contract (£0.5m) and PFI Contracts (0.9m).
- Additional £0.4m forecast expenditure for opening highstreets safely funded by government grant (offset by Government grant)
- Reduction in amount of sales, fees and charges income losses across services
- Further impact on delivery of Adult Social Care savings due to extended period of measures from initial modelling.

3.2.2 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. The table below illustrates the government funding allocation that can be utilised to offset the in-year revenue gap; despite this a £15.7m in-year budgetary gap still remains due to the pandemic.

3.3 LOSS OF SALES, FEES AND CHARGES INCOME

3.3.1 The forecasted loss of service income for the year is £28.6m which is an improvement of £5.6m from P3.

3.3.2 Please note that whilst there is some support from the central government to support local authorities in funding some of the income losses on fees and charges, it doesn't fully cover all losses. Government won't provide any funding for commercial property losses or the first 5% of sales fees and charges losses, thereafter compensating 75% of losses above this level.

3.4 GOVERNMENT COVID FUNDING, GENERAL FUND 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 £52.9m, (noting £0.5m was utilised against the COVID 19 financial impact in 2019/20). It was previously approved to incorporate these funding streams into the Council's 20/21 budget to support / mitigate the reported COVID 19 financial pressures.

Table 3 GF Government Emergency Funding and Residual Gap

Government COVID Response Funding	National £m	Bristol Share £m
Emergency Funding Tranche 1 (excl. 0.5m utilised in 19/20)	1,600	13.044
Emergency Funding Tranche 2	1,600	12.906
Emergency Funding Tranche 3	500	4.580
Infection control	600	4.025
Open high street Safely fund		0.416
Partial Hardship fund (matching gross forecast under benefit)		2.250
COVID 19 Fees and Charge Income Grant	n/a	13.859
Next Steps Accommodation Programme	91	1.900
Total Offset to GF Revenue Pressures		52.980
P5 Forecast COVID overspend		68.697
General Fund Residual Gap		15.717

- 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 £15.7m, see table below for the agreed funding and mitigations, and please note the outstanding residual gap of £1.8m as at P5.

Table 3: COVID Mitigation Plan

COVID Mitigation Plan	£m
Residual GF Financial Gap due to COVID 19	15.717
Estimated Furlough Income	-1.700
Capital Financing (various)	-5.995
New: Use of Earmarked Reserves (Public Health £0.5m & PFI £0.9m)	-1.417
Use of general reserve above £20m	-3.100
Use of resilience reserve	-1.710
Residual Position (Current)	1.795

3.5 REGULATORY INCOME LOSS

- 3.5.1 The estimated total income loss on collection fund is £25.0m. 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 Reductions in Council Tax income is the largest single income loss which is estimated to be £14.3m by March 2021 (£22.3m P3 forecast). This has reduced due to growth in new properties accelerating to previous assumed forecast levels following lockdown during the early part of the year, and a slower uptake of Council Tax Reduction scheme in early part of the year, in part due to impact of furlough protecting some jobs.
- 3.5.4 It is important to note this represents latest modelling however there is significant uncertainty with regard to these estimates as the impact of end of furlough and new employment support scheme and impact on long term collection rates is unknown
- 3.5.5 The losses are 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

- 3.5.6 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.
- 3.5.7 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.

3.6 SAVINGS PROGRAMME

- 3.6.1 The savings / efficiency programme agreed by Council in 2020 included savings totalling £8.7m for 2020/21. In addition, £6.6m of savings were carried forward from 2019/20 to 2020/21 which still requires recurrent delivery and mitigation in 2020/21. Therefore the total savings delivery target for 2020/21 is £15.3m.
- 3.6.2 At P5 £11m of £15.33m savings are reported to be at risk where further work / mitigating actions will be required in order to deliver, of which £6.3m relates to the Adult Social Care Better Lives Programme and £2.2m Children's social care

transformation with the remainder relating to Council-wide cross-cutting savings initiatives and schemes.

- 3.6.3 It has been agreed that £0.86m for FP01-8 Third Party Reduction carried forward from 2019/20 will be covered in year.

Table 5 Summary of Savings by Directorate

Directorate	2020/21 Savings £m	2020/21 Savings reported as safe	2020/21 Savings reported as at risk	
		£m	£m	%
People	8.79	0.29	8.50	97%
Resources & Cross-Cutting	3.53	2.25	1.28	36%
Growth and Regeneration	3.01	1.79	1.22	41%
Total	15.33	4.33	11.00	72%

4 RING-FENCED BUDGETS

4.1 HRA

- 4.1.1 HRA is currently reporting a forecast underspend of £1.6m at P5 (£1.0m underspend in P3).
- 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 £3m which consists of £2.0m on loss of income / increases in bad debt, and £1.0m 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 DSG budgets are experiencing significant growth pressures and are forecasting a deficit of £8.3m, which when added to the brought forward balance, will give a total deficit to carry forward at the end of the year of £11.1m. The main area for concern continues to be the High Needs block which is forecasting an overspend in-year of £8.0m, an increase of £4.9m since P3. Please see appendix A5 for more detail.
- 4.2.2 Following an Ofsted review last year, the Education service has invested significant resources in the EHC assessment and planning process to ensure that Pupils are

assessed and receiving the relevant support in time. This has resulted in an increased number of high needs cases and had a significant impact on the DSG High Needs Block. Since the measures for improvement on the EHC process were introduced, additional Pupils have been assessed and brought into the service quicker, resulting in the increased cost forecast, there have been increases in the number of top-ups to both mainstream and special schools. In addition, the increase in demand would also have a knock on impact on higher cost placement needs (e.g. in out of area or independent non-maintained schools) where available capacity is not sufficient locally.

- 4.2.3 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.
- 4.2.4 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.
- 4.2.5 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 £1.6m 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. Other small variations include £0.9m for safer cities and £0.7m other public health activities.
- 4.3.2 The Council will continue to press for additional support from government in introducing measures to support local authorities' leisure services.