

## Bristol City Council September 2020 (P6) Revenue Finance Report

### 1 FORECAST GENERAL FUND REVENUE SUMMARY POSITION

- 1.1 At Period 6 (September), the Council is forecasting a £73.2m overspend (£75.8m in P5) against the approved General Fund budget (£395.7m), of which £67.9m overspend relates to the impact of COVID 19 pandemic (£68.7m in P5) and the remaining £5.3m attributes to non-COVID financial cost pressures (£7.1m in P5).
- 1.2 Table 1 below provides a summary of the current 2020/21 forecast General Fund position by directorate.

Table 1 General Fund P6 Directorate Level Forecast

General Fund	2020/21 - Full Year			P6 Forecast Variance		Movement vs P5: Increase /(Decrease)		
	Revised Budget	Forecast Outturn	Forecast Outturn Variance	COVID	Non-COVID	COVID	Non-COVID	Total Movement
	£000s			£000s		£000s		
<b>People</b>								
Adult Social Care	148,413	176,761	28,348	21,200	7,148	0	(600)	(600)
Children and Families Services	61,710	64,556	2,846	2,640	206	0	94	94
Educational Improvement	11,546	13,027	1,481	1,112	369	310	(471)	(161)
Public Health - General Fund	3,991	6,414	2,423	2,410	13	840	13	853
<b>Total People</b>	<b>225,660</b>	<b>260,758</b>	<b>35,098</b>	<b>27,362</b>	<b>7,736</b>	<b>1,150</b>	<b>(964)</b>	<b>186</b>
<b>Resources</b>								
Digital Transformation	15,598	14,706	(892)	300	(1,192)	300	(442)	(142)
Legal and Democratic Services	8,164	8,869	705	972	(267)	2	(142)	(140)
Finance	9,044	13,871	4,827	5,482	(655)	103	110	213
HR, Workplace & Organisational Design	10,388	10,541	153	0	153	0	(20)	(20)
Policy, Strategy & Partnerships	3,384	3,393	9	60	(51)	0	2	2
FM Services	3,378	5,310	1,932	850	1,082	0	(75)	(75)
Commercialisation & Citizens	613	1,590	977	433	544	(1,669)	802	(867)
<b>Total Resources</b>	<b>50,569</b>	<b>58,280</b>	<b>7,711</b>	<b>8,097</b>	<b>(386)</b>	<b>(1,264)</b>	<b>235</b>	<b>(1,029)</b>
<b>Growth &amp; Regeneration</b>								
Housing & Landlord Services	14,896	19,970	5,074	4,612	462	(270)	(4)	(274)
Development of Place	1,431	2,425	994	1,501	(507)	(82)	(32)	(113)
Economy of Place	14,246	22,003	7,757	6,673	1,084	26	74	99
Management of Place	33,809	46,757	12,948	14,480	(1,532)	212	380	592
<b>Total Growth &amp; Regeneration</b>	<b>64,382</b>	<b>91,155</b>	<b>26,773</b>	<b>27,266</b>	<b>(493)</b>	<b>(114)</b>	<b>419</b>	<b>305</b>
<b>SERVICE NET EXPENDITURE</b>	<b>340,611</b>	<b>410,193</b>	<b>69,582</b>	<b>62,724</b>	<b>6,857</b>	<b>(228)</b>	<b>(310)</b>	<b>(537)</b>
Levies	857	857	0	0	0	0	0	0
Corporate Expenditure	30,494	34,652	4,158	5,154	(996)	(591)	(1,191)	(1,782)
Capital Financing	23,745	23,189	(556)	0	(556)	0	(307)	(307)
<b>TOTAL REVENUE NET EXPENDITURE</b>	<b>395,707</b>	<b>468,891</b>	<b>73,184</b>	<b>67,878</b>	<b>5,305</b>	<b>(819)</b>	<b>(1,808)</b>	<b>(2,627)</b>

### 2 NON-COVID RELATED RISK OF OVERSPEND

- 2.1 At P6, budget managers are currently forecasting emerging risks and potential for further overspends by £5.3m (£7.1m in P5) 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 £7.1m risk to overspend (£7.7m in P5) 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 £0.2m forecast risk of overspend (£0.1m in P5): related to savings at risk and on-going increases in out of area placement cost
- Home to School Transport £0.5m risk of overspend, (£0.9m in P5): We now have a better understanding of the impact of social distancing and COVID and this has led to a reduction in the forecast overspend.

Further areas of directorate pressures and savings to offset pressures are summarised below:

### *Resources Directorate*

- Digital Transformation's favourable forecast position (£1.2m) is largely due to employee and contract underspend plus higher than budgeted income from internal traded activities
- Finance's favourable forecast (£0.7m) mainly relates to recoveries of overpayments exceeding budgeted amount and drawdown from reserves, it also noted that there had been a shift of in-year resources from business as usual activities to COVID emergency Responses.
- Facility Management' overspend of £1.1m relates to legacy savings/income targets unachieved that have been further exacerbated by the pandemic.

### *Corporate Expenditure*

- Following the announcement of the 2.75% pay award, £3.6m of provisions previously held in abeyance had been allocated to Directorates in P6 to cover the cost uplift in the services. There had also been an in-year saving on superannuation therefore the remaining provision that is no-longer required (c£1m) which will help to mitigate the above mentioned in-year non-COVID related pressures.

### *Capital Financing*

- The underspend of £0.6m forecast reflects the current position due to delays in the delivery of capital programme to the pandemic coupled with the reduction on borrowing rate.

- 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 P6 Directorate forecast the General fund Revenue funding gap due to COVID 19 (excluding collection fund) is estimated to be £67.9m in 2020/21 (see Table 1 above and directorate appendices for details). The position shows a slight improvement comparing to P5 position (£68.7m). It is also worth noting that there had been some movements of budget responsibilities between directorates in P6, notably the reassignment of Commercialisation, Citizen and FM services from Resources to G&R and People directorates.

Table 2: Overspend Due to COVID-19

	COVID-19 Exp	COVID-19 Inc	COVID
	£000s		£000s
<b>People</b>			
Adult Social Care	19,395	1,805	21,200
Children and Families Services	2,640	0	2,640
Educational Improvement	256	856	1,112
Public Health - General Fund	2,410	0	2,410
<b>Total People</b>	<b>24,701</b>	<b>2,661</b>	<b>27,362</b>
<b>Resources</b>			
Digital Transformation	0	300	300
Legal and Democratic Services	695	277	972
Finance	3,497	1,985	5,482
HR, Workplace & Organisational Design	0	0	0
Policy, Strategy & Partnerships	60	0	60
FM Services	600	250	850
Commercialisation & Citizens	0	433	433
<b>Total Resources</b>	<b>4,852</b>	<b>3,245</b>	<b>8,097</b>
<b>Growth &amp; Regeneration</b>			
Housing & Landlord Services	4,612	0	4,612
Development of Place	264	1,236	1,501
Economy of Place	925	5,748	6,673
Management of Place	1,830	12,650	14,480
<b>Total Growth &amp; Regeneration</b>	<b>7,631</b>	<b>19,634</b>	<b>27,266</b>
<b>SERVICE NET EXPENDITURE</b>	<b>37,184</b>	<b>25,540</b>	<b>62,724</b>
Corporate Expenditure	2,150	3,004	5,154
<b>TOTAL REVENUE NET EXPENDITURE</b>	<b>39,334</b>	<b>28,544</b>	<b>67,878</b>

### 3.2 EMERGENCY RESPONSE EXPENDITURE

3.2.1 Government funding received to date (September P6) has offset to a large extent the in-year COVID 19 related financial pressures in 2020/21, however a budgetary gap of £14.9m still remains. Note that this is before taking into account a new tranche of COVID emergency funding confirmed on 23 October 2020 (in P7) the approval to incorporate this new funding is sought under this report (see details in later section).

### 3.3 LOSS OF SALES, FEES AND CHARGES INCOME

3.3.1 The forecast loss of service income for the year is £28.5m which remains largely unchanged comparing to P5.

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 Up to the end of September, 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 £53.0m, (£53.5m excluding £0.5m utilised against COVID impact in 2019/20). It was previous 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	Bristol Share	Cabinet Approval
	£m	£m	
Emergency Funding Tranche 1 (excl. 0.5m utilised in 19/20)	1,600	13.044	Given
Emergency Funding Tranche 2	1,600	12.906	Given
Emergency Funding Tranche 3	500	4.580	Given
Infection control Round 1	600	4.025	Given
Open high street Safety fund		0.416	Given
Partial Hardship fund (matching gross forecast under		2.250	Given
COVID 19 Fees and Charge Income Grant	n/a	13.859	Given
Next Steps Accommodation Programme	91	1.900	Given
<b>Total Offset to GF Revenue Pressures</b>		<b>52.980</b>	
<b>P6 Forecast COVID overspend</b>		<b>67.878</b>	
<b>General Fund Residual Gap</b>		<b>14.898</b>	

3.4.2 Due to the timing of P6 reporting, further new tranches of funding announcement listed in the table below were not included in the forecast. This report seeks approval to incorporate and utilised these funding streams in 2020/21. Please note the infection control fund, Surge enforcement fund and the supported housing bid are expected to have nil impact on the net forecast position once both funding and cost are incorporated In P7 forecast.

**Table 4: New funding**

<b>New funding to be incorporated</b>	<b>National</b>	<b>Bristol</b>	<b>Cabinet Approval</b>
	<b>£m</b>	<b>£m</b>	
Emergency Funding Tranche 4	919	11.128	Sought under P6
Infection control Round 2 (Cost not in forecast)	546	3.653	Sought under P6
Surge enforcement fund	60	0.283	Sought under P6
Supported Housing Oversight Pilot Bid (Cost not in forecast)		0.249	Sought under P6

3.4.3 On 23 October the government confirmed allocations of a further £919m nationally (Bristol share £11.1m) of a further un-ringfenced funding to support local councils. This is part of a package of further support for council’s worth over £1bn, which also include £100m from DCMS to be used to introduce a new fund which will support council leisure centres most in need, however further details and conditions on the scheme are yet to be released.

3.4.4 In October the government had announced an extension to the Adult Social Care Infection Control Fund until March 2021, with an extra £546m of funding nationally (Bristol share £3.7m). This is a new grant, with revised conditions from the original Infection Control Fund with 80% funding allocated to care homes and CQC-regulated community care provider on defined basis and remaining 20% to the full range of social care providers at the Council’s discretion. In line with the scheme of delegation please note the urgent payment decision recorded to social Care settings, appended to this report.

3.4.5 On 22 September the Government announced the allocation of Surge enforcement funding to local authorities and the Police to support a range of additional compliance and enforcement activity. Of this funding the Council has been awarded £0.283m to cover a period of four months.

3.4.6 MHCLG invited Bristol to submit a bid to pilot methodologies to raise the standards of accommodation and support within the ‘non-commissioned’ sector. The Council had submitted a bit on 22<sup>nd</sup> October for funds to develop a multi-disciplinary team comprising Environmental Health, Safeguarding and Support Review Officers, to inspect Bristol’s non-commissioned supported accommodation. Please also note the

decision recorded appended to this report. This bid has been successful and approval to accept an award of £249,099 is being sought in this report.

- 3.4.7 Taking into account the new funding announcements, the revised residual general fund COVID budget gap is expected to reduce from £14.9m to £3.8m which is proposed to be mitigated by the list below. Please note that the residual mitigations previously identified will be held in abeyance for uncertainties arising under the government’s new 3-teir system and implications of local measures required in 2020/21 with any residual amount carried forward to 2021/21 offsetting future year COVID financial pressures.

**Table 5: COVID Mitigation Plan**

<b>COVID Mitigation Plan</b>	<b>Approved Use of Mitigation</b>	<b>Current Trajectory</b>
	<b>£m</b>	<b>£m</b>
Estimated Furlough Income	1.700	1.700
Use of Earmarked Reserves (Public Health £0.5m & PFI £0.9m)	1.417	1.417
<b>Use of general reserve above £20m</b>	3.100	0.653
<b>Capital Financing (various)</b>	5.995	0.000
<b>Use of resilience reserve</b>	1.710	0.000
<b>Total</b>	<b>13.922</b>	<b>3.770</b>

### **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 (same compared to P5).

- 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.

### **Government Funding**

## **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 P6 £9.2m 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.

**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	3.53	0	0%
Growth and Regeneration	3.01	2.34	0.67	22%
<b>Total</b>	<b>15.33</b>	<b>6.16</b>	<b>9.17</b>	<b>60%</b>

## **4 RING-FENCED BUDGETS**

### **4.1 HRA**

- 4.1.1 HRA is a ring-fence budget, any COVID pressures may be offset by in-year underspend on staffing due to delays in recruitment and delays in the repairs and maintenance programme due to the lockdown. HRA is currently reporting a forecast underspend of £3.5m at P6 (£1.6m underspend in P5).
- 4.1.2 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.
- 4.1.3 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 continue to experience significant pressures and are forecasting a deficit of £8.1m, which when added to the brought forward balance, will give a total deficit to carry forward at the end of the year of £11m. The main area for concern continues to be the High Needs block which is forecasting an overspend in-year of £7.7m, a slight improvement of £0.3m since P5. 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 Please note in the absence of additional government funding Bristol in late October led the way to provide continuous support feeding the Children outside term-time this is estimated to be around £0.2m for October half term break which will be reflected in P7 forecast.
- 4.2.6 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 £2.4m 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. Furthermore, this also includes a forecast overspend of £0.840m against the Bristol Impact Fund (BIF) where there has been continued delay to budget plans to reduce spend, due to Covid-19 outbreak.
- 4.3.2 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.
- 4.3.3 The Council will continue to press for additional support from government in introducing measures to support local authorities' leisure services. A new funding stream (£100m) had been announced by the government in late October however funding condition and legibility are yet to be confirmed.