

## Bristol City Council September 2020 (P7) Revenue Finance Report

### 1 FORECAST GENERAL FUND REVENUE SUMMARY POSITION

- 1.1 At Period 7 (September), the Council is forecasting a £80.5m overspend (£73.2m in P6) against the approved General Fund budget (£395.7m), of which £74m overspend relates to the impact of COVID 19 pandemic (£67.9m in P6) and the remaining £6.6m attributes to non-COVID financial cost pressures (£5.3m in P6).
- 1.2 Table 1 below provides a summary of the current 2020/21 forecast General Fund position by directorate.

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		
<b>People</b>										
Adult Social Care	148,413	183,627	35,214	26,062	1,841	27,903	7,311	6,703	163	6,866
Children and Families Services	61,710	64,664	2,954	2,640	0	2,640	314	0	108	108
Educational Improvement	11,546	13,167	1,621	256	856	1,112	509	0	140	140
Public Health - General Fund	3,991	6,232	2,241	2,242	0	2,242	(1)	(168)	(14)	(182)
<b>Total People</b>	<b>225,660</b>	<b>267,690</b>	<b>42,030</b>	<b>31,200</b>	<b>2,697</b>	<b>33,897</b>	<b>8,133</b>	<b>6,535</b>	<b>397</b>	<b>6,932</b>
<b>Resources</b>										
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)
<b>Total Resources</b>	<b>50,527</b>	<b>58,926</b>	<b>8,399</b>	<b>5,169</b>	<b>3,292</b>	<b>8,461</b>	<b>(62)</b>	<b>364</b>	<b>326</b>	<b>690</b>
<b>Growth &amp; Regeneration</b>										
Housing & Landlord Services	14,896	20,455	5,559	4,800	0	4,800	759	188	297	485
Development of Place	1,431	2,470	1,039	171	1,284	1,455	(416)	(46)	91	45
Economy of Place	14,288	22,307	8,019	821	5,662	6,483	1,536	(190)	452	262
Management of Place	33,836	47,958	14,122	1,805	13,942	15,747	(1,625)	1,267	(93)	1,174
<b>Total Growth &amp; Regeneration</b>	<b>64,451</b>	<b>93,190</b>	<b>28,739</b>	<b>7,597</b>	<b>20,888</b>	<b>28,485</b>	<b>254</b>	<b>1,219</b>	<b>747</b>	<b>1,966</b>
<b>SERVICE NET EXPENDITURE</b>	<b>340,638</b>	<b>419,806</b>	<b>79,168</b>	<b>43,966</b>	<b>26,877</b>	<b>70,843</b>	<b>8,325</b>	<b>8,119</b>	<b>1,470</b>	<b>9,588</b>
Levies	857	857	0	0	0	0	0	0	0	0
Corporate Expenditure	30,467	32,271	1,804	1,450	1,683	3,133	(1,329)	(2,021)	(333)	(2,354)
Capital Financing	23,745	23,333	(412)	0	0	0	(412)	0	144	144
<b>TOTAL REVENUE NET EXPENDITURE</b>	<b>395,707</b>	<b>476,267</b>	<b>80,560</b>	<b>45,416</b>	<b>28,560</b>	<b>73,976</b>	<b>6,584</b>	<b>6,098</b>	<b>1,281</b>	<b>7,378</b>

Table 1 General Fund P7 Directorate Level Forecast

### 2 NON-COVID RELATED RISK OF OVERSPEND

- 2.1 At P7, budget managers are currently forecasting emerging risks and potential for further overspends by £6.6m (£5.3m in P6) 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 and these are partly mitigated by previously reported Corporate (pay provision) and Capital Financing savings.

### *People Directorate*

- Adult Social care forecasted a £7.3m risk to overspend (£7.1m in P6) mainly relates to market pressures resulting in the need for a continuation of service provision previously allocated on a one-off basis.
- Children services has reported additional cost pressure (£0.3m) in relation to Remand due to legislative requirements which was not previously reported.
- Home to School Transport £0.5m risk of overspend, (£0.5m in P6) due mainly to the impact of social distancing and has remained the same as P6.

### *Resources Directorate*

- The forecast underspend reported in P6 has reduced by £0.3m and mainly relates to income targets identified being not achievable during the business consolidation of commercial services and Facilities Management service.

### *Growth and Regeneration*

- The directorate overall forecast is reported to be £0.25m overspend, key movements include:
    - £0.3m adverse movement in housing benefit subsidy loss where number of tenants continue to be in temporary housing rather than permanent one where the Authority is not fully compensated on subsidies.
    - Additional in-year spend on commercial rent review that cannot be recuperated via income generation (£0.2m).
    - Savings previously identified that can no longer to deliverable (£0.2m)
- 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 P7 Directorate forecast the General fund Revenue funding gap due to COVID 19 (excluding collection fund) is estimated to be £74m in 2020/21 before considering government support. The position overall has increased by £6.1m comparing to P6. (£67.9m), these include the incorporation of additional Infection Control expenditure following tranche two funding provided by the Government.
- 3.1.2 Within this overall movement, the forecast on loss of income in the services has increased by £1.3m (mostly related to parking) this has been offset by releasing a previously held central provision at similar level. In effect as services crystallises the impact of the second national lockdown and possible higher tiers of restrictions

thereafter based on current trend of infections in the city, the provision had been moved and crystallised under individual services.

- 3.1.3 It should be stated that the impact of the second national lockdown 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.

### **3.2 EMERGENCY RESPONSE EXPENDITURE**

- 3.2.1 The current forecast on emergency response expenditure is £45.4m which is largely offset by the government emergency. However the forecast does not currently reflected any additional new burden and cost pressures post second national lockdown and new funding is expected from the government in this regard.

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

- 3.3.1 The forecast loss of service income for the year is £28.6m and remains static overall comparing to P6 (£28.5m), however a £1.3m movement between central provision and service forecast had been explain under the previous sections.
- 3.3.2 Please note that whilst there had been support from the central government for local authorities in funding some of the income losses on fees and charges, it does not fully cover all losses. Government will not be providing any funding for the first 5% of sales fees and charges losses, thereafter will compensate 75% of losses above this level. In addition commercial property losses will not be compensated.

### **3.4 GOVERNMENT FUNDING, GENERAL FUND RESIDUAL GAP AND MITIGATIONS**

#### **Government Funding**

- 3.4.1 Up to the end of October, the Council had received four tranches of emergency funding support, additional specific grants from the Government and estimated funding in the recovery of income losses for COVID totalling £69.2m in 2020/21 that can be used to mitigate the in-year overspend. 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, leavings a residual gap of £4.8m to addressed from Council resources. This is planned to be fully mitigated by in-year underspend on capital financing.
- 3.4.2 As mentioned above the forecast position is indictive and approval had been previously sought that any previously identified COVID mitigations will be held in abeyance for uncertainties arising under the government's revised tiered system and local measures required after national lockdown measures end, with any residual amount carried forward to 2021/21 offsetting future year COVID financial pressures.

3.4.3 This report also seeks approval to incorporate new grant funding of £2.635m received / to be received from the government including:

- Home Office Safer Street Grant (£0.4m): to enable the design and delivery of local crime prevention plans, with the outcome of reducing acquisitive crimes through situational prevention.
- COVID Winter Grant Scheme £1.64m: Ring-fenced funding with at least 80% earmarked to support with food and bills, and will cover the winter period for residence to the end of March 2021. The associated policy is being developed and will be incorporated within the P8 report.
- Clinical extremely vulnerable (£0.211m): to support the clinically extremely vulnerable over the next month. It will be used to provide support, such as access to food deliveries and signposting to local support of befriending services, to the most at risk and enable them to stay at home as much as possible over this short period.
- 5G logistic (£0.384m subject to satisfactory due diligence on deliverability): to fund and deliver traffic control improvements on HGV routes from port towards Severn Beach and M48 Severn crossing. The two upgraded junctions will enhance road network efficiency and junction capacity, reduce congestion and improve air quality for residents. A further detail in relation to this grant can be published with the Officer Executive Decision relating to the bid submission.

### **3.5 REGULATORY INCOME LOSS**

3.5.1 The estimated total income loss on collection fund has reduced to £12.8m, full detail is available in the Collection Fund Surplus Deficit report. 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 legislation means the Council will be required 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). Reduction in Council Tax income is estimated to be £5.6m by March 2021.

- 3.5.3 It is important to note there is still 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.
- 3.5.4 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**

- 3.5.5 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 forecast a deficit of business rate income this year of £6.8million as a result of unavoidable business insolvencies and reduction on debt collection rate within the Bristol area. Similarly to Council Tax collection the Council is now required to spread these losses over the next three years. Full detail on losses is available in the Collection Fund Surplus Deficit report.
- 3.5.6 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 meant 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 There has been no change since P6 and £9.2m of £15.33m savings are still 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 £3.6m at P7 (£3.5m underspend in P6).
- 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 £8m, which when added to the brought forward balance, will give a total deficit to carry forward at the end of the year of £10.91m. The main area for concern continues to be the High Needs block which is forecasting an overspend in-year of £7.6m, a slight improvement of £0.1m since P6. 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, as well as in GFE (General Further Education) colleges. The forecast overspend for top-ups is currently £7m, analysis of the top-up numbers and increases from last year are given in appendix A5.
- 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.

### 4.3 Public Health

- 4.3.1 Public Health is forecasting £2.24m overspend in period 7 (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 £0.763m 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 A new funding stream (£100m) had been announced by the government in regards to supporting leisure services in October, however detailed funding conditions and legibility are yet to be confirmed.
- 4.3.4 A further allocation of £8 per head of population for Bristol City Council is estimated to be received from the Contain Outbreak Management Fund (COMF) in respect of covid-19 Test and Trace for the rest of the financial year and 2021/22, however this hasn't been confirmed and has not been included in the position for P7.