

Bristol City Council December 2020 (P9) Revenue Finance Report

1 FORECAST GENERAL FUND REVENUE SUMMARY POSITION

- 1.1 At Period 9 (December), the Council is forecasting a £90.2m overspend (£87.3m in P8) against the approved General Fund budget (£395.7m), of which £84.5m overspend relates to the impact of COVID 19 pandemic (£81m in P8) and the remaining £5.7m attributes to non-COVID financial cost pressures (£6.3m in P8).
- 1.2 Table below provides a summary of the current 2020/21 forecast General Fund position by directorate.

Table 1 General Fund P9 Directorate Level Forecast

General Fund	2020/21 - Full Year			P9 Forecast Variance		Movement vs P8: Increase /(Decrease)		
	Revised Budget	Revised Outturn	Revised Outturn Variance	COVID	Non-COVID	COVID	Non-COVID	Total Movement
	£000s			£000s		£000s		
People								
Adult Social Care	148,343	183,471	35,129	27,903	7,226	0	(0)	(0)
Children and Families Services	61,816	66,029	4,214	4,385	(171)	351	50	401
Educational Improvement	12,011	13,498	1,487	1,112	375	0	(1)	(1)
Public Health - General Fund	3,991	16,064	12,074	12,077	(4)	1,195	(5)	1,190
Total People	226,160	279,063	52,903	45,477	7,425	1,546	44	1,590
Resources								
Digital Transformation	15,489	15,595	106	905	(799)	390	(57)	333
Legal and Democratic Services	8,164	8,819	655	1,060	(405)	88	(140)	(52)
Finance	9,015	13,772	4,758	5,512	(754)	(88)	15	(73)
HR, Workplace & Organisational Design	14,654	17,752	3,099	1,436	1,663	0	(39)	(39)
Policy, Strategy & Partnerships	3,413	3,362	(50)	60	(110)	0	(54)	(54)
Total Resources	50,734	59,300	8,566	8,973	(407)	390	(275)	115
Growth & Regeneration								
Housing & Landlord Services	14,896	19,994	5,098	4,534	564	33	(7)	26
Development of Place	1,431	2,223	792	1,168	(376)	(265)	153	(112)
Economy of Place	5,027	13,339	8,312	6,909	1,403	638	(23)	615
Management of Place	33,836	48,455	14,619	15,640	(1,021)	1,164	(311)	853
Total Growth & Regeneration	55,190	84,010	28,821	28,251	570	1,570	(189)	1,382
SERVICE NET EXPENDITURE	332,084	422,373	90,290	82,701	7,588	3,506	(420)	3,087
Levies	10,118	10,118	0		0	0	0	0
Corporate Expenditure	29,570	30,093	523	1,833	(1,310)	0	28	28
Capital Financing	23,935	23,356	(579)		(579)	0	(167)	(167)
TOTAL REVENUE NET EXPENDITURE	395,708	485,941	90,233	84,534	5,698	3,506	(559)	2,948

2 NON-COVID RELATED RISK OF OVERSPEND

- 2.1 At P9, budget managers are currently forecasting emerging risks and potential for further overspends by £5.7m (£6.3m in P8) 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 is forecasting a £7.2m overspend (unchanged from p8) and which mainly relates to pressures in adult purchasing budgets for residential and nursing care placements and for accommodation-based support.
- Children's Services have reported an underspend of £0.2m in P9 (unchanged from p8).
- Home to School Transport continues to forecast an overspend of £0.5m (£0.4m at p8) relating to an increase in personal travel budgets.

Growth and Regeneration

- The directorate overall forecast is reported to be £0.6m overspend (£0.2m decrease from P8).
- The key drivers to the variance to budget are: adverse movement in housing benefit subsidy loss where number of tenants continue to be in temporary housing rather than permanent, and the Authority is not fully compensated on subsidies; and loss of income from Temple Street property.
- The movement from P8 is driven by the identification of additional grant funding within the regulatory service, and improvement in forecast of overheads in the parking service.

- 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 P9 Directorate forecast the General fund Revenue funding gap due to COVID 19 (excluding collection fund) is estimated to be £84.5m in 2020/21 before considering government support. The position overall has worsened by £3.5m comparing to P8 (£81m). This reflects the additional gross Public Health expenditure funded by Tire 2 grants estimated in December and the anticipation of further losses in parking services and commercial rental income due to further restrictive measures introduced by the government for the remainder of the year

Table 2: Forecast Variances Due to COVID-19

General Fund	COVID-19 Exp	COVID-19 Inc	COVID
	£000s		£000s
People			
Adult Social Care	26,062	1,841	27,903
Children and Families Services	4,385	0	4,385
Educational Improvement	256	856	1,112
Public Health - General Fund	12,077	0	12,077
Total People	42,780	2,697	45,477
Resources			
Digital Transformation	570	335	905
Legal and Democratic Services	738	322	1,060
Finance	3,527	1,985	5,512
HR, Workplace & Organisational Design	600	836	1,436
Policy, Strategy & Partnerships	60	0	60
Total Resources	5,495	3,478	8,973
Growth & Regeneration			
Housing & Landlord Services	4,534	0	4,534
Development of Place	40	1,128	1,168
Economy of Place	821	6,088	6,909
Management of Place	1,773	13,867	15,640
Total Growth & Regeneration	7,168	21,083	28,251
SERVICE NET EXPENDITURE	55,443	27,258	82,701
Levies			
Corporate Expenditure	150	1,683	1,833
Capital Financing			
TOTAL REVENUE NET EXPENDITURE	55,593	28,941	84,534

3.2 EMERGENCY RESPONSE EXPENDITURE

3.2.1 The current forecast on emergency response expenditure is £55.6m which has increased since P8 (£53.9m) largely due to the additional gross Public Health expenditure forecasted mentioned above funded by Government grants.

3.3 LOSS OF SALES, FEES AND CHARGES INCOME

3.3.1 The forecast loss of service income for the year is £28.9m and has increased overall comparing to P8 (£27.1m) as the government introducing further restrictive measures for the rest of the financial year.

3.3.2 Please note regarding income losses, the government will not be providing any direct support 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. The current compensation estimate from this scheme at P9 for the year is c£15.7m.

3.4 GOVERNMENT FUNDING, GENERAL FUND RESIDUAL GAP AND MITIGATIONS

Government Funding

3.4.1 Table below summaries Government grants received by the Council Up to the end of November in relation to the pandemic:

Table 3: Government COVID funding

Government COVID Response Funding	Lead department / organisation	Bristol Share
		£m
Emergency Funding Tranche 1 (£500k was utilised in 2020/21)	MHCLG	13.544
Emergency Funding Tranche 2	MHCLG	12.906
Emergency Funding Tranche 3	MHCLG	4.580
Emergency Funding Tranche 4	MHCLG	11.128
Hardship Fund	MHCLG	5.006
COVID 19 Fees and Charge Income Grant (estimate)	MHCLG	15.125
Furlough Income (estimated includes bonus)	HMRC	1.700
Next Steps Accommodation Programme	MHCLG	1.936
Reopening High Streets Safely	MHCLG	0.416
Infection control Round 1	DHSC	4.025
Infection control Round 2	DHSC	3.653
Test and Trace Service Support	DHSC	3.033
Contain Outbreak Management Fund (COMF)	DHSC	3.707
COVID Tier 3 COMF (December)	DHSC	1.622
COVID Winter Grant Scheme	DWP	1.640
Compliant and Enforcement Fund /Surge enforcement funding	MHCLG	0.283
Clinically Extremely Venerable Fund	MHCLG	0.211
Local welfare assistance (Emergency Assistant Grant for Food and	DEFRA	0.608
Self Isolation Grant (Test and Trace Support Grant Mandatory	DHSC	0.236
Self Isolation Grant (Test and Trace Support Grant Descretionary)	DHSC	0.142
Self Isolation Grant funding (Administrative element only)	DHSC	0.055
Additional Restrictions Grant (ARG)	DBEIS	9.268
Additional Home to School Transport Tranche 1	DfE (and DfT) to	0.000
Additional Home to School Transport Tranche 2	DfE (and DfT) to	0.000
Additional Home to School Transport Tranche 3	DfE (and DfT) to	0.000
COVID Tier COMF further funding	DHSC	0.000
Emergency Active Travel Fund (Tranche 1)	DfE (and DfT) to	tbc
Emergency Active Travel Fund (Tranche 2)	DfE (and DfT) to	tbc
Total		94.822

3.4.2 Please note £500k included within the first tranche of emergency funding received had been utilised in financial year 2020/21. In addition, the Council is also in the process of agreeing with the NHS CCG regarding addition winter surge funding for adult social care c£1.2m. Taking these into account when mitigating the reported 2020/21 COVID 19 financial pressures, it is currently forecasted that no in-year mitigation from local resource would be required.

3.4.3 Any previously identified available COVID mitigations using local resources (including in-year Capital financing underspend) will be held in abeyance for uncertainties arising under the government's revised tiered system and national measures before year-end, with any residual amount carried forward to 2021/21 offsetting future year COVID financial pressures.

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.

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.

4 SAVINGS PROGRAMME

4.1.1 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. The total savings delivery target for 2020/21 is £15.3m.

- 4.1.2 The previously reported savings at risk for Children’s and Adults have now been confirmed as mitigated via COVID funds on a one-off basis. Savings will still need to be delivered from 21/22 as reported in the report to Cabinet on the P8 financial position.
- 4.1.3 Since P8 £0.11m has moved from Resources to People in relation to savings related to the change of management regarding Bristol Impact Fund.

Table 4 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	8.90	8.86	0.04	0%
Resources & Cross-Cutting	3.42	3.42	0.00	0%
Growth and Regeneration	3.01	2.39	0.62	21%
Total	15.33	14.67	0.66	4%

5 RING-FENCED BUDGETS

5.1 HRA

- 5.1.1 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 socially restrictive measures. HRA is currently reporting a forecast underspend of £3.2m at P9 (£3.3m underspend in P8).
- 5.1.2 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.
- 5.1.3 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.

5.2 DSG

- 5.2.1 DSG budgets continue to experience significant pressures and are forecasting a deficit of £8.6m, which when added to the brought forward balance, will give a total deficit to carry forward at the end of the year of £11.5m (no change from P8). The main area for concern continues to be the High Needs block which is forecasting an overspend in-year of £8.2m. Please see appendix A5 for more detail.
- 5.2.2 Following an Ofsted review last year, the Education service has invested significant resources in the EHC assessment and planning process, 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 £7.5m, the reason for the increase from last month is the anticipated additional cost as a result of the current round of top-up applications.
- 5.2.3 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.
- 5.2.4 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.
- 5.2.5 The final Early Years block allocation and spend will be dependent on the January 2021 census figures as this generates 7/12ths of the funding and also the Spring term payments to providers. Recent guidance from DfE could result in a reduced census figure as settings are not able to include all pupils who cannot attend due to Covid. The effect of this on the overall block position will not be known until close to the end of the financial year.
- 5.2.6 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.

5.3 Public Health

- 5.3.1 Public Health is forecasting £12m variation to budget in period 9 (a mixture of COVID costs, General Fund and Ring-fenced account), mostly funded by in-year government grants. Of these additional expenditure, the General fund and Ring-fenced account forecast overspend is £2.24m, 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 £0.762m against the Bristol Impact Fund (BIF) where there has been continued delay to budget plans to reduce spend, due to Covid-19 outbreak.
- 5.3.2 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.
- 5.3.3 A further allocation of Tier 2 and 3 COVID outbreak management fund for December has been estimated in P9 forecast.
- 5.3.4 Other new grants received to date include: Rough Sleeping Drug and Alcohol Treatment Grant - £0.711m and Domestic Abuse Capacity Grant - £0.050m. It should be noted that the time limitations set by the government on spending is by 31st March 2021.
- 5.3.5 The National Leisure Recovery Fund (NLRF) is available to support the difference between income and expenditure for the period of 1 December 2020 to 31 March 2021. Bristol has submitted a bid for the £1.020m allocation pending outcome.

6 Debt Management

- 6.1.1 As at 31/12/2020, there was £49.4 million outstanding sundry debt owed to the Council, excluding Housing Rent, Council Tax or Business Rates, of which £38.6m has been outstanding for longer three months. The table below provides a breakdown of debt by Customer type.

	£m
Individuals	20.673
Trade	14.124
Schools	0.337
NHS	4.919
Schools	7.843
Charities	0.614
Central Government	0.313
Local Authorities	0.623
	49.445

- 6.1.2 The largest area of debt for the Council remains contributions from individuals related to social care support, with currently £15.747 million outstanding payment to the Council, this is an increase from £10.633 million as at 31/12/2019. Of the £15.747 million outstanding, £7.363 million has been outstanding for longer than a year. Work is on-going to review this debt and processes to improve collection in this area.
- 6.1.3 The second largest area of debt is for schools PFI charges of £7.7m. Several schools owe which are being repaid in instalments to coincide with their process for reclaiming these funds and the school year. It is anticipated that these invoices will be paid in full.
- 6.1.4 There have been significant movements in two key areas of sundry debt over the last 12 months. There is outstanding commercial property debt of £3.859 million, this is an increase of nearly 100% compared to outstanding debt at the same point in 2019/20.

Movement from 2019/20

Debt Type	As at 31/12/2019 £m	As at 31/12/2020 £m	Change £m
Adult Social Care Contributions	10.633	15.747	5.114
Commercial Property	2.099	4.053	1.955