Resources Scrutiny Commission – 2021/2022 Budget Report

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Appendix A: Member Questions and Officer Responses

1. Introduction and context

For the 2020/2021 municipal year, the Overview and Scrutiny Management Board (OSMB) delegated the responsibility of scrutinising the Medium Term Financial Plan (MTFP) and Cabinet budget proposals to the Resources Scrutiny Commission and the Commission created a Finance Task and Finish Group to achieve this aim. Between June 18th and December 18th 2020 the Finance Task and Finish Group met with Finance Officers on nine occasions to consider and provide feedback on the Covid-19 financial situation and preparations for 2021/2022 budget, and reported the findings to OSMB.

Areas of focus included:

- Covid-19 impacts and pressures
- General Fund
- Medium Term Financial Plan (MTFP)
- Collection Fund medium term impact
- Council Tax Reduction Scheme (CTRS)
- Council Reserves
- Capital Strategy
- Dedicated Schools Grant (DSG)
- Facilities management
- Housing Revenue Account (HRA)
- Capital Programme
- Revenue

Members offer their sincere thanks to finance officers for their continued commitment and their time spent making this a highly constructive process. They presented the information to us in a cogent and understandable way and answered all our questions patiently.

On 4th February 2021 the Resources Scrutiny Commission considered the Budget Proposals to Full Council that were published for the Cabinet meeting on the 26th January. The topics highlighted in this report refer to concerns or queries raised by commission members regarding the budget proposals that were discussed at the Resources Scrutiny Commission meeting. References are made to the papers published for the Cabinet meeting (available here), and to questions submitted by Members prior to the meeting for which written responses were received from finance officers and relevant cabinet members (Appendix A).

2. Capital Programme Overview

In the Cabinet meeting of 26th January 2021, the Capital Programme budget for the years 2021/22 to 2025/26, totalling £907.6 million, was discussed. This included the Housing Revenue Account and Transport Capital Programme, both of which were discussed within the Resources Scrutiny Commission (see below). It was confirmed that the Capital Programme was set within the longer-term parameters of the Medium-Term Financial Plan.

Prior to the meeting, one of the issues that was raised by members was the budgeting within the Capital Programme for the Bristol Beacon. Officers responded that the current budget for the Bristol Beacon is £48.8 million, and the Capital Programme (£907m) contains a corporate general fund contingency of £60m, intended to accommodate the potential for overruns and new cost associated with existing projects. During the meeting concerns were raised around the transparency of this project where exact figures are not yet known. Councillor Cheney, the Deputy Mayor with responsibility for Finance, Governance and Performance stated that as decisions had not yet been formally made the current planning involved provisions only. It was noted that a Scrutiny Briefing on Bristol Beacon was anticipated in the near future.

3. Housing Revenue Account

Members noted the forecast underspend of £3.3m on the Housing Revenue Account (HRA). Officers explained that an underspend of £6.3m had arisen due to delays in the maintenance programme caused by COVID. Combined with the forecast £3.0m spend on Covid-19 related pressures for which no government funding had been provided, this resulted in the total net underspend of £3.3m. This will be transferred to the HRA reserve at year-end to address the backlog of repairs.

In response to member's queries, it was noted that applying a 1% uplift to current rents would increase annual revenue to the HRA by £1.1 million each year. In light of this, Members queried the decision not to increase rents. Members were concerned that there would be serious pressures on the HRA reserve in three to four years time and suggested that in other scenarios the decision not to increase rents would have been made after consideration of efficiencies and other options first, and it was unclear how these pressures could be resolved.

This was noted by Councillor Cheney who confirmed that rent increases in future years had not been ruled out, and long-term predictions would remain speculative. However, the decision was taken as 'an ethical decision' in the context of expected wholesale redundancies and other economic vulnerabilities following the pandemic.

4. Transport Capital Programme

Members submitted a number of written questions regarding transport elements of the Capital Programme, particularly around allocation of maintenance funds. The responses received stated that the Capital Programme had allocated £13m to essential maintenance works. There was a significant backlog of maintenance needs and the final allocations had not yet been decided, but an indicative list was provided. The next phase of the maintenance will detail the full risk profile of each project.

Members raised a concern that the position taken around maintenance appeared to be reactive rather than proactive, noting that an Enhanced Asset Register had previously been raised as a potential way to address this, and it was asked if there were any plans in place to develop such a register. It was understood that this had not been possible for the current budget due to the necessity of prioritising need, while looking to prevention work where possible.

Members noted in submitted questions that no budget had been allocated in the Capital Programme for drainage enhancements which seemed surprising given recent increases in local flooding. They received the response that the lifecycle modelling and asset assessment for drainage was not available and in any event this was not currently considered an immediate health & safety priority. Members queried that the lifecycle work had been previously budgeted for but not completed. Councillor Dudd, the Cabinet Member with responsibility for Transport, Energy & New Green Deal agreed to check drainage maintenance against the priority matrix.

5. Business Rates Retention

The papers provided outlined the recent Government announcement that Local Authorities could remain in the 100% business rates retention pilot for a further year but that a future reduction to 75% had not been ruled out as the review of Business Rates is still underway. It is unknown when these reviews will conclude, and a subsequent risk to future funding was noted. This could have a material impact on both the Bristol City Council income and the revenue funding of the West of England Combined Authority.

It is proposed in the 2021/22 budget that this fund will be used to contribute to a range of one-off schemes and income shortfalls within Adult and Children Social Care and other initiatives, and 5% would be transferred to WECA for core operational activity. These streams of funding would be at risk should the Business Rates Retention Scheme not continue into 2022/23.

It was clarified that the commitment to the 100% Business Rates retention (and associated 5% funding for WECA) was part of the devolution deal, and central Government would need to consider not only the impact for the three unitary councils, but how WECA would be funded if a change to arrangements was made. Within Bristol City Council itself, the choice was made last year to de-risk the budget by using the funds gained from this sources for discrete or one-off projects to ensure that the core business as usual could continue in the event that this fund was lost.

6. Dedicated Schools Grant

The combined in-year forecast deficit together with a carried-forward deficit for the Dedicated Schools Grant (DSG) gives a total deficit to carry forward at the end of the year of £11.4million. Members expressed concern about this. Officers explained that this largely came from the High Needs Block and related to the cost of Special Educational Needs and Disability (SEND) provision and improvements made in completing Education, Health and Care Plans (EHCP), but there were also challenges in Early Years with a lack of Covid-19 support in this sector.

Members noted there was now an increasing deficit carried forward without a clear picture of how it would be resolved. SEND cost pressure is not just a local issue but a national issue. Officers stated that they hoped the ongoing and legacy cost issues driving these deficits would be addressed in future years by government. However, a deficit management plan (aligned with the Education Improvement Programme to improve outcomes and services and to reduce pressures in the High Needs block) was in development. There was continuous lobbying of the central government for appropriate funding. This plan will be brought to the Schools Forum and scrutinised by the People Scrutiny Commission and through other processes.

It was noted that as with many Local Authorities, we are seeing increasing deficits that exceed the overall School Reserves. A statutory override is in place to allow this to be carried forward as a liability with the view that a later deficit management plan would be implemented. Members expressed concern about this and stated strongly that there needed to be a national strategic review of funding to provide some clarity around ongoing management, particularly once the statutory override is lifted.

7. Adult Social Care

The papers published for the Cabinet meeting of 26th January demonstrated that Adult Social Care (ASC) shows a 2020-2021 overspend of £35.1m (including the impact of Covid) and an underlying non-Covid overspend of £7.2M.

Members queried whether the ASC overspend had been predictable (given that overspends had happened on numerous previous occasions). They queried whether this could be related to a problem with the budgeting process itself as well as the cost pressures. It was noted that the Scrutiny Budget Task Group had previously raised similar concerns over the ASC budget, which were also raised at Full Council. Officers stated that savings and efficiency targets were taken into account in budget setting, as well as provisions made in case of 'slippage' or 'optimism bias', however the pandemic had caused significant delays in implementing many of the changes that were necessary to achieve these savings. The Council was carrying out a Transformation Plan which included the continued challenge of reducing the costs of services, but the impact of COVID had affected its implementation.

Councillor Helen Holland, Cabinet Member with responsibility for Adult Social Care, was confident that the amount budgeted for this year which included some one-off funding, was a more realistic figure, but there were savings to be made every year. She agreed that the funding situation was not sustainable, and that Bristol and many other Local Authorities required input from Central Government to help resolve the situation. The option to charge more via the council tax precept was welcomed but members noted that the precept puts the burden on local taxpayers and that in any event may not cover the total funds required. officers said that this issue was frequently raised with the Local Government Association (LGA) and Central Government.

Members acknowledged the positive work taking place and the pressures experienced from different quarters. It was asked if a follow-up piece of 'constructive challenge' scrutiny with Resources Scrutiny or OSMB at the appropriate time would be helpful. This was welcomed by the Cabinet Member.

8. Company Business Plans

Members submitted a number of written questions regarding Goram Homes and other Company Business Plans. The responses received stated that the funding earmarked for Goram Homes is from the capital investment reserve and the company is required to operate within an approved funding envelope for each pipeline of activity. Goram Homes was initially approved with up to £10m potential loan facility for working capital and development investment from this reserve.

It was noted that the consideration of the Company Business Plans had been deferred, and it was confirmed that these would be considered by Scrutiny prior to consideration.

It was clarified that all funds to Goram Homes are repayable loans with interest payable (and not subsidies or grants). As the pipeline of activities to be undertaken by Goram Homes is currently in development, this fund had not yet been allocated.

It was understood from a recent OSMB meeting that a potential significant delay in an existing pipeline for a planned project had been identified, with a corresponding financial impact due to the delay. Officers stated that the potential delay in an element of the scheme would be built into the financial model, with consideration given to accelerating other pipelines as appropriate. A £3.3m loan facility for the working capital is available that has not yet been fully drawn down, and alternative pipeline activities are being discussed.

It was confirmed that the details of further projects are currently being developed, with the expectation that they would shortly be brought to Cabinet for approval. Once approved, Goram Homes will finalise and submit the company business plan.

9. <u>Public Health Grant</u>

Members queried how COVID and non-COVID related funding was separated within the Public Health budget. It was clarified that the Public Health grant related solely to non-COVID related funds. The current grant for 2020/21 was £32m but confirmation from central Government of the value of the grant for 2021/22 was awaited. The assumption had been made for budgeting purposes that this would remain the same as previous years.

Councillor Stephen Clarke

Chair Budget Task and Finish Group and Resources Scrutiny Commission