

Bristol City Council July 2021 (P03/P04) Revenue Finance Report

1 GENERAL FUND REVENUE SUMMARY POSITION

- 1.1.1 At Period 4 (July), the Council is forecasting an overspend of £30.7m against the approved General Fund budget (£424.4m). The gross impact of COVID is £35.3m which is offset by £4.5m of specific COVID grant funding that has been received in the current financial year. This is set out in Table 1 of this report.
- 1.1.2 The non-Covid position is forecasting a breakeven position. There are, however, significant risks of £11.892 million to delivering a balanced position and also containing cost of Covid impact within funding set out within the allocated funding. The likelihood of these risks materialising and what mitigating actions need putting in place is being reviewed in line with the Council's budget improvement protocol through a series of deep dive meetings before bringing proposals back to Cabinet for approval.
- 1.1.3 An offer of a 1.75% pay award has been put forward to unions. An increase of 1.75% would result in increased costs of £3.2m - this is not reflected in the P4 forecast as it has not yet been agreed. The council have assumed £0.5m in this year's budget and MTFP in line with the Government announcement of a pause on pay increases for 2021/22.
- 1.1.4 Table below provides a summary of the current 2021/22 forecast General Fund position by directorate.

Table 1 General Fund P04 Directorate Level Forecast

SERVICE NET EXPENDITURE SUMMARY	2021/22 - Full Year						
	Approved Budget	Revised Budget	Forecast Outturn	Outturn Variance	Gross COVID Impact	Covid Service Grants/Inco	Non-COVID
	£000s			£000s	£000s		
People							
Adult Social Care	151,448	157,648	165,835	8,188	12,130	(3,942)	(0)
Children and Families Services	65,115	65,091	71,760	6,668	6,581		87
Educational Improvement	11,998	11,928	15,018	3,090	1,140		1,950
Public Health - General Fund	4,753	4,777	5,263	486	1,055	(569)	(0)
Total People	233,315	239,444	257,876	18,432	20,906	(4,511)	2,037
Resources							
Digital Transformation	15,305	14,765	14,980	215	376		(161)
Legal and Democratic Services	8,686	8,396	8,342	(53)	58		(111)
Finance	8,885	8,935	11,848	2,913	3,052		(139)
HR, Workplace & Organisational Design	16,344	16,944	16,878	(65)	162		(227)
Policy, Strategy & Partnerships	3,436	3,835	3,835	0	36		(36)
Total Resources	52,655	52,875	55,884	3,009	3,684	0	(675)
Growth & Regeneration							
Housing & Landlord Services	14,896	14,807	17,151	2,343	2,303		40
Development of Place	1,591	1,533	1,533	0	0		0
Economy of Place	12,436	12,807	13,756	950	1,108		(158)
Management of Place	33,049	33,797	41,098	7,301	7,300		0
Property and Asset Strategy	(7,122)	(7,122)	(7,322)	(0)	0		(0)
Total Growth & Regeneration	54,851	55,822	66,215	10,594	10,711	0	(118)
SERVICE NET EXPENDITURE	340,820	348,140	379,975	32,035	35,302	(4,511)	1,244
Levies	10,118	10,118	10,118	0	0		0
Corporate Expenditure	49,219	42,019	40,660	(1,360)	0		(1,360)
Capital Financing	22,495	22,495	22,496	1	0		1
Corporate Allowances	1,749	1,629	1,629	0	0		0
TOTAL REVENUE NET EXPENDITURE	(0)	(0)	30,476	30,676	35,302	(4,511)	(115)

2 NON-COVID POSITION

2.1.1 A breaking even position is forecast on core service budgets not impacted by the COVID 19 pandemic. There is, however, significant risk to delivering this which will need consideration, further assessment and mitigation to be identified during the year. The net risk to the General Fund budget not included within the forecast is £11.9m which includes £2.7m relating to the pay award (set out in paragraph 1.1.3) as set in Table 2 below with further detail within Directorate appendices.

Table 2: General Fund Net Risks Not Reflected In The Forecast.

NET Risk (Service/Description)	£M
Pay Award	2.700
People	5.807
Growth and Regeneration	2.456
Resources	0.929
Total	11.892

2.1.2 The key areas at risk of overspend are:*People*

The Covid pandemic continues to be a challenging situation and there are on-going pressures for the service particularly around 18-64 working age adults with mental health and learning disabilities. There has been a 7% change which is estimated to cost c£3.3m in the Learning Disabilities cohort. Similarly, there has been a 26% change of c£4.2m in the Mental Health cohort and c£0.3m in relation to homelessness costs. The impact of these estimated costs has been mitigated by the reduction in the costs of people aged over 65 estimated at c£1.6m.

Care providers are continuing to experience significant covid related cost pressures estimate to be in the region of c£2m

Children's Social Care – There is significant volatility within placements within children's social care due to the impact of Covid-19 and lockdown. There are also pressures due to lack of supply of placements within the external market, the in-house fostering and placement service are also running at capacity which results in significant risk of increased spend as demand continues to rise. These are being identified as covid-19 related pressure (£6.58m). £0.087m (out of total £6.668m) overspend is projected as non-covid related expenditure, with £0.064m is due to increase in asylum pressures where no recourse to public funds placements – longer duration in service due to delay in other government departments.

Education and Skills – Education general fund budget is currently forecasting £1.95m non-covid related overspend. This is primarily driven by a £1.2m overspend in Accessible City, where the service was required to increase staffing levels in response to an inspection report, contribution from Transformation Project budget is anticipated to alleviate some of this budget pressure. £0.82m non-covid related overspend is also projected in Home to School Transport (HTST, *£1.7m overspend including covid related*) where more children are identified to be eligible for transport and having to travel longer distances due to local capacity constraints. This is a continuation of the trend seen last year, the Service is currently reviewing mitigation options and there is there is £0.5m of corporate funding which can be utilised to partially offset this risk if the mitigation identified is not sufficient.

3 COVID 19 IMPACT

3.1 SUMMARY POSITION

3.1.1 The Council is managing the financial impact of Covid-19 as a one-off shock, over the medium term. The Covid-19 budget identified for 2021/22 is £25.065m, as outlined in the table below:

	£m
Carry forward reserve from 20/21	8.100
Fees and Charges Losses 21/22	7.047
Response Expenditure 21/22	7.420
Hardship Payments	2.498
	25.065

3.1.2 Of this the current forecast on loss of sales, fees and charges is £9.2m, this is in excess of £7.0m provided in the 2021/22 budget and if there is no indication of an improving position alternative funding must be identified. Whilst there is opportunity this may improve this doesn't include any impact for a further lockdown restrictions being put in place. Further due diligence on current income trends is being undertaken to understand the medium term impact and whether there is further losses above those anticipated in the MTFP during 2022/23 and 2023/24 as services and demand takes time to return to pre-covid levels.

3.1.3 The net expenditure forecast of £21.6m is an indicative allocation with formal approvals to commit this spend still subject to decision making, from the available resource identified for 2021/22, which includes £8.1m carried forward from 2020/21 and £9.9m set in the 2021/22 budget. As this indicative forecast exceeds available resource some areas of planned reactive spend may not proceed.

3.1.4 The indicative assumptions below should be noted only. Further analysis is required to the robustness of the assumptions and priority areas of financial support, prior to approval being sought from Cabinet to allocate the Covid-19 funding currently available to the Council.

Table 3: Forecast Variances Due to COVID-19

SERVICE NET EXPENDITURE SUMMARY

	COVID-19 Expenditure	COVID-19 Income	Gross COVID Impact	Covid Service Grants/Inco
£000s				
People				
Adult Social Care	12,130	0	12,130	(3,942)
Children and Families Services	6,581	0	6,581	
Educational Improvement	970	170	1,140	
Public Health - General Fund	1,055	0	1,055	(569)
Total People	20,736	170	20,906	(4,511)
Resources				
Digital Transformation	221	155	376	
Legal and Democratic Services	58	0	58	
Finance	2,199	853	3,052	
HR, Workplace & Organisational Design	0	162	162	
Policy, Strategy & Partnerships	36	0	36	
Total Resources	2,514	1,170	3,684	0
Growth & Regeneration				
Housing & Landlord Services	2,303	0	2,303	
Development of Place	0	0	0	
Economy of Place	106	1,002	1,108	
Management of Place	448	6,852	7,300	
Property and Asset Strategy	0	0	0	
Total Growth & Regeneration	2,857	7,854	10,711	0
SERVICE NET EXPENDITURE	26,107	9,194	35,302	(4,511)

3.1.5 As noted above of the £26.107m expenditure forecast for 2021/22, £4.511m relates to specific ring-fenced grant leaving £21.596m as currently expected to be required in 2021/22 from the total resources available.

3.2 INDICATIVE ADDITIONAL EXPENDITURE

- 3.2.1 Adult Social Care - Reflecting the need to continue to maximise hospital capacity for those being treated for coronavirus and to support the social care sector to help support and deliver this, Adult Social Care has received £3.942m from the government for Quarter 1 2021/22 in relation to Covid-19 grants to fund infection control and rapid testing measures, particularly in relation to care homes. This is passported funding which has been deployed at pace to support care providers with the challenges they face.
- 3.2.2 There is also some increase in staffing needed across the services and costs related to increase due to impact on mental health services across the City.
- 3.2.3 Children's and Families: The division is forecasting £6.58m expenditure pressure due to the impact of Covid-19. Majority of this is in Placement Services where there had been significant increase in the number of children being looked after. This is further

compounded by lack of affordable provision to place them in. Other Covid-19 pressure area includes the Area teams, After Care teams and Specialist Services.

- 3.2.4 Education and Skills: The division are forecasting to overspend by £1.14m with main areas of overspend relates to HTST £0.903m, the risk of overspend of £0.170m in Inclusive City due to loss of income (parent penalty charges) and £0.066m covid-19 related expenditure in Employment, Skills & Learning. Review meetings have been arranged with the service leads to explore mitigation options in HTST.
- 3.2.5 Leisure – £1m of support is needed by leisure facilities to support them due to significant loss of income from closures and social distancing restrictions. £0.6m of this is funded by the National Leisure Recovery Fund grant.
- 3.2.6 Finance (Welfare Support) – Additional £2m spend on increase in Discretionary Housing Payments and Local Crisis Prevention Fund allocated from grant funding to support welfare schemes for 2021/22 as noted in report to Cabinet on 13 April 2021.
- 3.2.7 Housing & Landlord Services – Support is being provided during the pandemic for rough sleeping and this has also resulted in an increased use of temporary accommodation, active mitigations are being put in place to reduce spend as restrictions ease.

3.3 LOSS OF SALES, FEES AND CHARGES INCOME

- 3.3.1 The budget estimated an approximate £9.2m loss of sales, fees and charges income, predominantly from loss of parking income across the city for the financial year. It is expected £1.3m of this would be funded by grant from Government covering a proportion of Council's income losses between April and June during the period of restrictions, no further funding is anticipated.
- 3.3.2 Although losses to date are higher than forecast, income may recover more quickly than previously assumed, forecast losses are currently with forecast losses are currently £2.1m in excess of budgeted losses of £7.0m.
- 3.3.3 The change in profile also means that although overall losses across the year are similar there might be an opportunity Government support is higher than budgeted as the grant support just covers the first quarter of the year.

4 SAVINGS PROGRAMME

- 4.1.1 The savings programme agreed by Council in 2021 included savings totalling £7.4m. In addition, £4.3m of savings were carried forward from prior years which still requires delivery. The total savings delivery target for 2021/22 is £11.7m.
- 4.1.2 Some savings reported at risk have been impacted by the current Covid situation but continue to be monitored and reviewed for delivery or in-year mitigation, where

possible. The approach being taken in monitoring savings delivery and ensuring robustness of delivery plans prior to indicating that savings are safe means that at this early point in the year only £4.8 million of the planned savings are safe, which means there is a risk that the budget position may deteriorate if savings are not delivered, or mitigations not found. The total of £6.9million savings at risk is above the provision made in the budget for delay to savings delivery.

4.1.3 Since the last report Delivery Executive has approved movement of £0.25m out of 21_New03 Centralisation of contract management into 21_NS_04 Third party savings.

4.1.4 Further detail is shown in the directorate appendices.

Table 4 Summary of Savings by Directorate

Directorate	2021/22 Savings £m	2021/22 Savings reported as safe £m	2021/22 Savings reported as at risk	
			£m	%
People	6.11	2.02	4.09	67
Resources & Cross-Cutting	3.49	1.40	2.09	60
Growth and Regeneration	2.14	1.41	0.73	34
Total	11.74	4.83	6.91	59

5 RING-FENCED BUDGETS

5.1 HRA

5.1.1 The HRA forecast as at Period 4 is an overspend of £0.3m, a movement of £1.8m on the reported forecast at Period 2 of a (£1.5m) underspend. The overspend will be met from the HRA general reserve, which will be transferred at the end of the year. The further detail is available within Appendix A4.

5.1.2 Income is broadly forecast in line with budget, however there is an increase in impairment allowance of £1.6million from increased rent arrears, this is broadly offset by underspends within services due to vacancies and other small one-off savings.

5.1.3 The planned capital programme is forecast £23million slippage from initial budget of £111million, primarily due to delays in planned programme and new build works entering delivery and construction phase.

5.2 DSG

5.2.1 The in-year forecast deficit on the DSG is significant at £11.1m, which when added to the brought forward balance (of £10.0m) will give a total deficit to carry forward at

the end of the year of £21.1m as can be seen in the table below. The main area for concern continues to be the High Needs block, which is forecasting an in-year overspend of £10.5m and Early Years SEN overspend of £0.423m offset slightly by an underspend of £0.393m in the Schools block (growth fund).

5.2.2 Within the High Needs Block, top-up funding is still experiencing the biggest pressure, with significant increase from 2020/21, the current forecast is £11.5m over budget. There will be further rounds of top-up applications, due to take place later in the year, the impact of which are, as-yet, unknown. The other area of overspend is £0.541m in Early Year’s block due to pressure in SEND costs.

5.2.3 Summary of DSG grant performance is detailed in the table below:

Summary DSG position 2021/22 Period 4 (all figures in £000s)					
	b/f	Net DSG funding/ budget 2021/22	P4 2021/22 Forecast Outturn	In-year variance at P04	Cumulative c/f
Schools Block	-619	87,256	86,322	-934	-1,553
De-delegation	-553	31	31	0	-553
Schools Central Block	0	2,596	2,596	0	0
Early Years	-621	37,185	37,727	541	-80
High Needs Block	12,609	54,266	65,766	11,500	24,109
HNB Transformation	-812	1,400	1,400	0	-812
Funding		-182,734	-182,734	0	0
Total	10,004	0	11,108	11,108	21,112

5.3 Communities and Public Health

5.3.1 The Public Health England (PHE) grant award for Public Health (PH) ring-fenced grant for 2021/22 is £33.643m. PH also hold general fund budget and other partnership grants of £4.808m which supports domestic abuse and sexual violence, health watch, substance misuse, rough sleeping, drug and alcohol treatment, sports projects, Hengrove and Leisure Centres.

5.3.2 At Period 4, there is no adverse forecast relating to the Public Health ring-fenced budgets. The current forecast overspend on the Communities general fund relates to the potential financial assistance to SLM for Leisure services contract in the sum of £0.981m in 2021/22 as a result of Covid-19 pandemic. This will be mitigated by part funding by the National Leisure Recovery Funding (NLRf) - £0.494m grant and the remaining £0.487m would be covered by unallocated Covid-19 response funding carried forward from 2020/21.

- 5.3.3 In continuation of the Covid-19 support for the communities and public health in 2021/22, as at Period 4, Bristol City Council has received grant funding totalling the sum of £5.034m from government departments which include Test and Trace – Contain Outbreak Management Fund (COMF) £3.709m, Clinically Extremely Vulnerable (CEV) £0.758m, Practical Support for those self - isolating - £0.478m and Project Eagle Surge Testing - £0.089m. All outbreak management funding is committed up to end of March 2023 with COMF grant ring fenced against the plan to ensure the council had sufficient capacity to manage throughout the year. The delivery of the outbreak management plan is reliant on that budget and that posts across the council are in place.
- 5.3.4 Finally, Communities and Public Health have also been successful in securing £1.7m revenue-only funding for 2021/22 from Public Health England (PHE) following approval of its Year 1 delivery plan by the Project ADDER Programme Board. An indicative allocation of up to another £1.7m has also been allocated for Year 2 delivery plan for 2022/23 (making a total of £3.4m over two years). This funding has been awarded for the Project ADDER Accelerator programme. This is a two-year funding scheme in which PHE is working alongside the Home Office to support investment in a whole-system approach to tackling drug use, which includes enforcement, diversion and treatment and recovery interventions. The funding scheme is underpinned by the development of local plans to address drug-related offending and deaths.

5.4 Grants

5.4.1 City Regional Transport Settlement –West of England

- 5.4.2 On 22 July 2021, the Secretary of State for Transport wrote to the Mayor of the West of England (WECA) with details of a proposed City Region Sustainable Transport Settlement for the West of England. The settlement will cover the period from April 2022 until March 2027. Date for initial submission is early September, so delegation is requested to submit the initial submission to Department for Transport subject to full detail of the bid including any match funding to be brought to Full Council for approval.
- 5.4.3 The amount available to the West of England is approximately between £540m and £880m exclusive of local contributions which are expected to be between 15% and 20%. The current capital programme has schemes in development which would be suitable for match funding and further opportunities are being identified to try and maximise allocations to Bristol within the prospectus and regional settlement.

The WECA is required to submit a draft prospectus by 17 September setting out its plans to deliver sustainable transport solutions using the settlement for the 5 year

period. Proposals will be evaluated by DfT based on six criteria: value for money; growth and productivity; levelling up; decarbonisation, especially modal shift to public transport and active travel; local contribution; and deliverability. The proposed settlement includes some existing maintenance funding (including the Integrated Transport Block and highways maintenance funding) and will replace the Transforming Cities Fund. There will be additional funding streams available including existing announced funding for buses and cycling and the Levelling Up Fund.

- 5.4.4 The proposals will include significant investment in bus infrastructure and strategic corridors, walking and cycling including a 5 year programme to link local communities and the transport network, plans to increase capacity in the local rail network, further development of the Mass Transit programme and investment in maintenance. Bristol City Council have been fully involved in these discussions and work including discussions about making additional planned investment available as potential match funding. The prospectus will be formally approved at a West of England board meeting in October.

6 LOCAL TAX INCOME LOSS

6.1 Council Tax

- 6.1.1 Council tax including preceptor's income: Like many councils we set our Council Tax budget for 2021/22 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 £236.2m and represents 56% of the net budget requirement (£424.1m).

Council Tax income is currently showing a reduction of £1.7m against the in-year target of 96% collection.

- 6.1.2 In terms of the Council Tax Reduction Scheme , after a significant increase in 2020/21 due to the pandemic, claims are now starting to level off, with a small increase in working age claimants offset with a reduction in pensioner claimants. £0.985m has been set aside for Hardship Fund payments, of which to date £0.594m has been awarded.
- 6.1.3 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 at the end of September and the collection of arrears is unknown at this stage.

6.2 Business Rates

- 6.2.1 The Council's budgeted income is £133.6m in 2021/22 represents 31.5% of the net budget requirement (£424.1m). Over £50m of grants have been awarded this year,

mainly to businesses in the retail, hospitality and leisure sectors. These are in turn funded by Central Government. Following the payment holiday due to the pandemic, many businesses are liable to pay some rates from August 2021, and the ability of these businesses to bounce back after a difficult 18 months is not yet known. Currently missed instalments, including historic debt, is around £8m higher for the time of year than pre pandemic.

Please note that the collection fund shortfalls will impact on the Council's cash position in 2021/22 however, because of timing differences, the budgetary impact will fall in the following year, 2022/23.