

Bristol City Council August 2021 (P05) Revenue Finance Report

1 GENERAL FUND REVENUE SUMMARY POSITION

- 1.1.1 At Period 5 (August), the Council is forecasting a net overspend of £30.7m against the approved General Fund budget (£424.4m). This is broken down into a £31.6m related to Covid-19 and an underspend of £0.9m on core base budgets.
- 1.1.2 This is the first full month following the ending of Covid-19 restrictions and the forecast impact of Covid-19 remains in line with previous forecast. The total costs of £36.1m is the forecast impact of Covid-19 pandemic to the end of the current financial year, this includes £4.5m of expenditure funded by ringfenced grants and therefore the net spend of £31.6m against a funding envelope of £24.6m of un-ringfenced budget set aside in 2021/22 to manage the Covid impact. Some of these additional costs relate to ringfenced funding detailed below and it is anticipated the costs will be brought within the available envelope by the end of the financial year.
- 1.1.3 As noted above the Council has also received specific ringfenced funding for Contain Outbreak Management funding and Test and Trace Outbreak Management funding totalling £18.733m. It is expected that this funding will be fully utilised by March 2022.
- 1.1.4 The non-Covid position is forecasting an underspend of £0.887m. There are, however, significant risks to the position which need to be mitigated to ensure this position is maintained at the end of the financial year, increased uncertainty as to the pandemic transitional v legacy costs within People Services and the impact on income. There are net risks of £13.05m which are not reflected in the forecast which includes £2.7m for a potential 1.75% pay increase which is currently being considered by unions. Appendices A1-A6 provide individual service detail.
- 1.1.5 Table 1 provides a summary of the current 2021/22 forecast General Fund position by directorate.

Table 1 General Fund P05 Directorate Level Forecast

SERVICE NET EXPENDITURE SUMMARY	2021/22 - Full Year				Gross COVID Impact	Covid Service Grants/Income	Non-COVID
	Approved Budget	Revised Budget	Forecast Outturn	Outturn Variance			
	£000s			£000s			
1 - People							
Adult Social Care	151,448	157,648	165,785	8,137	12,130	(3,942)	(51)
Children and Families Services	65,115	65,076	71,747	6,671	6,581		90
Educational Improvement	11,998	11,928	15,326	3,398	1,661		1,738
Public Health - General Fund	4,753	4,777	5,263	486	1,123	(634)	(3)
Total - People	233,315	239,428	258,121	18,693	21,495	(4,576)	1,774
2 - Resources							
Digital Transformation	15,305	14,721	14,920	199	966	0	(767)
Legal and Democratic Services	8,686	8,384	8,351	(33)	58	0	(91)
Finance	8,885	8,923	11,846	2,923	3,052		(129)
HR, Workplace & Organisational Design	16,344	17,001	16,940	(61)	162		(223)
Policy, Strategy & Partnerships	3,436	3,828	3,820	(8)	80		(88)
Total - Resources	52,655	52,858	55,877	3,019	4,318	0	(1,299)
4 - Growth & Regeneration							
Housing & Landlord Services	14,896	14,802	17,137	2,336	2,303		33
Development of Place	1,591	1,530	1,527	(3)	0		(3)
Economy of Place	12,436	12,799	13,662	863	1,133		(270)
Management of Place	33,049	33,735	40,636	6,902	6,903		(2)
Property and Asset Strategy	(7,122)	(7,122)	(7,077)	45	0		45
Total - Growth & Regeneration	54,851	55,743	65,886	10,143	10,339	0	(197)
SERVICE NET EXPENDITURE	340,820	348,030	379,884	31,855	36,152	(4,576)	278
Levies	10,118	10,118	10,118	0	0		0
Corporate Expenditure	49,219	41,934	40,636	(1,298)	0		(1,298)
Capital Financing	22,495	22,495	22,628	133	0		133
Corporate Revenue Funding	(424,401)	(424,401)	(424,401)	0	0		0
Corporate Allowances	1,749	1,824	1,824	0	0		0
TOTAL REVENUE NET EXPENDITURE	(0)	(0)	30,690	30,690	36,152	(4,576)	(887)

2 NON-COVID POSITION

2.1.1 A minor underspend of £0.877m is forecast on core service budgets not impacted by the Covid-19 pandemic. There are, however, significant risks to the position which need to be mitigated to ensure this position is maintained at the end of the financial year, increased uncertainty as to the pandemic transitional v legacy costs within People Services and the impact on income. There are net risks of £13.16m, which include £2.75m for the 1.75% pay award put forward by unions, which are not reflected in the forecast. Appendices A1-A6 provide individual service detail.

2.1.2 The key areas at risk of overspend are:

People

- Adult Social Care: There is an emerging risk in relation to hospital discharge costs for Pathway 3 beds. These beds are initially funded by the NHS funded Hospital Discharge Programme with reviews expected within a specified

period. There is a risk that if these reviews cannot be completed in time and length of stay exceeds the funded element, all costs will be recharged by the NHS to Adult Social Care until reviews have been completed. The CCG are currently quantifying this cost and the service is looking at conversation rates from reviews to make its own assessment of the potential financial risk.

- There is significant volatility in the market particularly in relation to the availability of care staff. This presents a significant challenge as the service approaches winter and the challenge to facilitate timely hospital discharges.
- Education and Skills – Education general fund budget is currently forecasting £1.95m non-covid related overspend. This is primarily driven by a £0.924m overspend in Accessible City, where the service was required to increase staffing levels in response to an inspection report, and £0.824m non-covid related budget pressure in H2ST where more children are identified to be eligible for transport service; and having to travel longer distances due to local capacity constraints.

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 budget identified for the impact in 2021/22 was £16.467m, in addition £21.696m of earmarked funding was carried forward from 2020/21.
- 3.1.2 In 2021/22 the Council received an additional £3.709m in Contain Outbreak Management Fund (COMF) grant, resulting in a total of £41.872m for this financial year as set out in Table 2.

Table 2: Budgeted Resources available for 2021/22 to manage financial impact of Covid-19

	Budget £m
Sales, Fees and Charges Losses	7.047
Response Expenditure	9.420
Reserve brought forward	21.696
21/22 COMF Grant	3.709
Total funding available	41.872

- 3.1.3 The total indicative costs against this include £22.728m additional general expenditure, £8.848m of lost income and up to £19.556m for specific Outbreak Management expenditure. This total forecast exceeds available resource and work is underway to ensure planned expenditure on managing Covid-19 is within available

resources and detail will be brought to Cabinet in P06 report setting out specific allocations from the £41.872m available resource.

- 3.1.4 Sales, fees and charges losses of £8.848m in 2021/22 is higher than budgeted assumptions, although following the cessation of restrictions recovery may be quicker than assumed in the current financial year. In being prudent further losses are anticipated in 2022/23 and 2023/24 as services and demand takes time to return to pre-covid-19 levels, although no provision for a further outbreak or lockdown has been included.

Table 3: Forecast Variances Due to COVID-19

SERVICE NET EXPENDITURE SUMMARY	COVID-19 Exp	COVID-19 Inc	Gross COVID Impact	Covid Service Grants/Income
	£000s			
1 - People				
Adult Social Care	12,130	0	12,130	(3,942)
Children and Families Services	6,581	0	6,581	
Educational Improvement	1,466	195	1,661	
Public Health - General Fund	1,123	0	1,123	(634)
Total - People	21,300	195	21,495	(4,576)
2 - Resources				
Digital Transformation	821	145	966	0
Legal and Democratic Services	58	0	58	0
Finance	2,199	853	3,052	
HR, Workplace & Organisational Design	0	162	162	
Policy, Strategy & Partnerships	80	0	80	
Total - Resources	3,158	1,160	4,318	0
4 - Growth & Regeneration				
Housing & Landlord Services	2,303	0	2,303	
Economy of Place	131	1,002	1,133	
Management of Place	412	6,491	6,903	
Total - Growth & Regeneration	2,846	7,493	10,339	0
SERVICE NET EXPENDITURE	27,304	8,848	36,152	(4,576)

3.2 ADDITIONAL EXPENDITURE

People:

- 3.2.1 **Adult social Care:** budgets continue to experience significant pressure in 2021/22 with a risk of a gross overspend of £12m at P05. This is partly mitigated by the receipt of £3.9m of infection control and rapid testing grant funding giving a net position of £8.1m. This reflects a stabilising position with little change in the forecast from P04.

- 3.2.2 It remains very difficult to confidently forecast the on-going financial impact of Covid-19 to the end of 2021/22, what are transitional v legacy costs and whether the demand/patterns of expenditure and costs pressures will continue.
- 3.2.3 **Children and Families:** Current estimated Covid-19 expenditure pressure is £6.58m. The major increase in costs is additional costs placements for Children which is forecast to overspend by £6.3m, a small reduction since last month which is a positive sign of stabilising after 4 months of continuous increase in demand.
- 3.2.4 **Education and Skills:** £1.5m additional costs with Education is predominantly related to increase in costs of Home to School Transport (HTST).
- 3.2.5 **Communities and Public Health:** Additional financial assistance has been provided to support Leisure services contracts due to loss of income at a total cost of £1.123m in 2021/22. This is partly funded by the National Leisure Recovery Funding (NLRF) - £0.634m grant.

Resources:

- 3.2.6 **Digital Transformation:** is forecasting £1m additional costs attributed to Covid-19 relating to continued costs of remote working including increase in use of smart phones and renewal of ICT licences to facilitate remote working. This also includes the loss of income under Translations Services.
- 3.2.7 **Finance:** The Benefits Service is forecasting £2m spend which relates to ongoing emergency and hardship fund payments due to Covid-19. The Revenues Service is forecasting a shortfall of £0.9m, relating to the on-going loss of summons and overpayments income. It continues to be assumed at this time that recovery will recommence in the second half of the year, however much of this is dependent on the courts ability to hear them.

Growth and Regeneration:

- 3.2.8 The Covid-19 related overspend reflects a combination of the impact of the current lockdown which is still having a significantly impact on several of the directorate's fee generating services; as well as unachieved income targets resulting from vacant operational buildings (previously rented space became vacant during 2020/21).

3.3 LOSS OF SALES, FEES AND CHARGES INCOME

- 3.3.1 The budget estimated an approximate £7.0m 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.
- 3.3.2 Although losses are slightly higher than forecast it is the income loss may still will recover more quickly than previously assumed following the cessation of restrictions, forecast losses at the end of the year are currently £8.84m which are above the 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.
- 3.3.4 The indicative assumptions above 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.

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-19 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 £5m 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 £6.73m savings at risk is above the provision made in the budget for delay to savings delivery. This risk is included within the overall risk set out in Section 1.
- 4.1.3 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	2021/22 Savings reported as at risk	
		£m	£m	%
People	6.11	2.37	3.73	61
Resources & Cross-Cutting	3.49	1.23	2.27	65
Growth and Regeneration	2.14	1.41	0.73	34
Total	11.74	5.01	6.73	57

5 RING-FENCED BUDGETS

5.1 HRA

- 5.1.1 The HRA forecast as at P05 is an underspend of £0.6m, a movement of £0.9m on the reported forecast at P04 of a £0.3m overspend. The underspend will be transferred

to the HRA general reserve at the end of the year. The details of these movements are covered in Appendix A4.

- 5.1.2 **Strategy, Planning & Governance - (£0.484m) underspend.** Main variance between the budget and outturn forecast at P05 is due to the following: the Moving Forward Together project is on hold, increase in income from overhead recharges to projects on Joinery shop and a revised recharge to general fund.
- 5.1.3 **Responsive Repairs - (£1.003m) underspend.** The main reasons for the variance are: a lower number of relets and voids resulting in fewer repair costs, although these are offset by increased costs due to the use of sub-contractors and lower than anticipated Leaseholder recharge income.
- 5.1.4 **Planned Programmes - £0.533m overspend.** This predominantly attributable to: heat management contract renewal being higher than expected, increase in spend on communal amenities energy cost, increase in costs due additional safety testing required on lifts, additional expenditure on Brislington Depot, offset by reduced salary costs due to vacancies
- 5.1.5 **Estate Management - (£1.068m) underspend.** The main driver for the underspend are: lower than budgeted salary costs as a result of vacancies, additional rents largely from unsecured tenanted properties and (£0.115m) additional service charges income from caretaking and reduced court costs.
- 5.1.6 **Estate Regeneration - (£0.150m) underspend.** This is underspend is attributable to a reduced spend on Savings on consultancy fees.

5.2 DSG

- 5.2.1 The in-year forecast deficit on the DSG is significant at £13.957m, 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 £23.961m 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 £14.4m.
- 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 £14.4m 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 £0.529m in Early Year's block due to pressure in SEND costs.
- 5.2.3 There is a further risk of £2m identified for the impact of panel meetings not yet reflected in the forecast.
- 5.2.4 Summary of DSG grant performance is detailed in the table below and Appendix A5 provides further detail.

Summary DSG position 2021/22 Period 05 (all figures in £000s)

	b/f	Net DSG funding/ budget 2021/22	P05 2021/22 Forecast Outturn	In-year variance at P05	Cumulative c/f
Schools Block	(619)	87,256	86,280	(976)	(1,595)
De-delegation	(553)	31	31	0	(553)
Schools Central Block	0	2,596	2,596	0	0
Early Years	(621)	37,185	37,714	529	(92)
High Needs Block	12,609	54,266	68,670	14,404	27,013
HNB Transformation	(812)	1,400	1,400	0	(812)
Funding		(182,734)	(182,734)	0	0
Total	10,004	0	13,957	13,957	23,961

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 5, there is no adverse forecast relating to the Public Health ring-fenced budgets. The current forecast overspend on the PH general fund relates to the potential financial assistance for Leisure services contracts in the sum of £1.123m in 2021/22 as a result of Covid-19 pandemic. This will be mitigated be partly funded by the National Leisure Recovery Funding (NLRf) - £0.634m grant and the remaining £0.489m 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 5, Bristol City Council has received grant funding totalling the sum of £5.138m from government departments which include Test and Trace – Contain Outbreak Management Fund (COMF) £3.709m, Clinically Extremely Vulnerable (CEV) £0.717m Practical Support for those self - isolating - £0.623m and Project Eagle Surge Testing - £0.89m. 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.

5.3.5 Appendix A6 provides further detail.

6 GRANTS

6.1 MUSEUM ESTATE AND DEVELOPMENT FUND (MEND)

6.1.1 The Culture and Creative Industries team has an opportunity to submit an application for a capital grant under the Museum Estate and Development Fund (MEND) which is administered by the Department of Culture Media & Sport (DCMS). Any successful bid for money is intended to undertake vital infrastructure and start to tackle the backlog of urgent maintenance solely at Bristol Museum and Art Gallery (BMAG).

6.1.2 Due to the short deadlines associated with the DCMS requirements for the submission of the initial and high-level Expression of Interest (Eoi), it was submitted at pace with the authority of the interim Director of Economy of Place in July. The Eoi was shortlisted from a total pool of 230+ down to the 50 which made it through to the second round. It is anticipated to be a 25-50% chance of total or partial success based on DCMS eligibility factors to achieve a balanced portfolio of grants.

6.1.3 The full application for £1.1m, which includes a 10% element of locally sourced match funding already secured, must be submitted no later than Monday 18th October. A report will be brought to a future Cabinet for approval to accept and spend any funding awarded (including a spending plan and profile). This is likely to be in March 2022 as the decisions are expected to be announced by DCMS in February.

6.2 LOCAL AUTHORITY PRACTICAL SUPPORT FOR SELF-ISOLATION

6.2.1 The purpose of the grant from the Department of Health and Social Care is to provide funding to local authorities to provide practical support for those self-isolating as a result of Covid-19. Bristol City Council has received £478,428 since the grant was introduced and has just been given a further £289,024 for August and

September. If funding is not fully spent by 31st March 2022 then unspent funds will be clawed back.

6.3 CITY FUNDS LOCAL AUTHORITY PRACTICAL SUPPORT FOR SELF-ISOLATION

6.3.1 City Funds has started to deliver tangible benefit and impact.

6.3.2 Agreement is sought to capitalise on the track record so far and to create the growth of activity required, it is activity required, it is proposed that City Funds, via its investment partner Bristol and Bath Regional Capital, works up several options for consideration by the City Council. The deliverable from this work would be a detail detailed business case, available by the end of 2021, with recommendations by Cabinet, if appropriate to do so.

6.3.3 The cost of this work is £30,000 and it is proposed it will be funded from the Capital Investment reserve.

7. REGULATORY INCOME LOSS

7.1 COUNCIL TAX

7.1.1 Council tax (CT) 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).

7.1.2 Revised estimates for council tax income is currently showing a reduction in the order of £2.5m - £3m against the in-year target of 96% collection.

7.1.3 In terms of the Council Tax Reduction Scheme (CTR), after a significant increase in 2020/21 due to the pandemic, claims are now starting to level off, both for working age and pensioner claimants. £0.985m has been set aside for Hardship Fund payments, of which to date £0.642m has been awarded.

7.1.4 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 at the end of September and the collection of arrears is unknown at this stage. More detailed analysis will be undertaken in October in order to calculate the Council Tax Base for 2022/23 and the surplus or deficit on the collection fund for 2021/22.

7.2 BUSINESS RATES

7.2.1 Business rates (BR): The Council's budgeted BR income is £133.6m in 2021/22 (net of tariff) and 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 £10m higher for the time of year than pre pandemic and a £2m increase on the previous month.

- 7.2.2 There are increasing concerns around the significant number of rateable value (RV) reductions occurring across the City. These are as the result of appeals upheld by the Valuation Office (VOA) and can be backdated to 2017. Whereas some of these will be covered by our appeals provision, there remains an on-going reduction in RV for these properties. To date the impact of these RV reductions is around £10m. Work is underway to determine how much of this can be met from the provision, and again will inform the detailed work required for the statutory collection fund surplus/deficit report.
- 7.2.3 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.