

# Decision Pathway –Report



|                           |   |                                |                                 |
|---------------------------|---|--------------------------------|---------------------------------|
| <b>TITLE</b>              | 2020/21 Period 6 Finance Report   |                                |                                 |
| <b>Ward(s)</b>            | n/a   |                                |                                 |
| <b>Author:</b>            | Tian Ze Hao   | <b>Job title:</b>              | Senior Finance Business Partner |
| <b>Cabinet lead:</b>      | Cllr Craig Cheney   | <b>Statutory Officer lead:</b> | Denise Murray                   |
| <b>Proposal origin:</b>   | Other   |                                |                                 |
| <b>Decision maker:</b>    | Cabinet Member  |                                |                                 |
| <b>Decision forum:</b>    | Cabinet   |                                |                                 |
| <b>Purpose of Report:</b> | <p>The Council budget for 2020/21 was agreed by Council in February 2020 and this report provides the update on the Council's financial performance at Period 6 (end of September) against the approved budget and forecast use of resources for the financial year 2020/21.</p> <p>The Council continues to operate Directorate cash limited budgets and Executive Directors are responsible for ensuring that appropriate action is taken to contain both revenue and capital spending within the directorate's overall budget limit. Budget holders forecasting a risk of overspend which is not related to the pandemic and potentially recoverable, should in the first instance set out in-service options for mitigation. Where these are considered undeliverable or pressures cannot be contained across the directorate the budget scrutiny process will be triggered and a request may be made for the Executive to consider granting a supplementary estimate redirecting funds from an alternative source.</p> <p>The report also includes an update on the estimated financial impact of the COVID 19 pandemic on the Council's finances.</p>   |                                |                                 |
| <b>Evidence Base:</b>     | <p>The original budget set in February 2020 was balanced over 5 year medium term. For 2020/21 full Council agreed the following:</p> <ul style="list-style-type: none"> <li>○ The General Fund net budget of £395.7m; (forecast variation at P6 is £73.2m overspend, at P5 was £75.8m)</li> </ul> <p>The Ring-fenced Accounts</p> <ul style="list-style-type: none"> <li>○ Housing Revenue Account (HRA) of £122.4m gross expenditure budget (forecast underspend of £3.5m at P6)</li> <li>○ The Dedicated Schools Grant (DSG) budget, including amounts recouped by the Education and Skills Funding Agency for Academies is £374.2m (forecast £8.1m in-year deficit at P6 and a total £11m carried forward deficit)</li> <li>○ The Public Health budget is £37.5m (no forecast variation at P6, with £0.5m planned drawn down from reserves to cover the leisure contract pressures).</li> </ul> <p>Capital Programme</p> <ul style="list-style-type: none"> <li>○ Capital programme revised budget 2020/21 only is £218.4m for General fund and £83m for HRA. (forecast variation at P5 £92.3m underspend)</li> </ul> <p><b>COVID-19</b></p> <p>The financial challenges as a result of the COVID 19 pandemic is currently estimated to be £67.9m (£68.7m in P5) and are attributed to additional costs incurred in responding to the pandemic and significant loss on income directly related to restricted activities and /or changing economic climate (see Appendix A for details) noting that this figure will be subject to change as the position evolves.</p> <p>Up to the end of September (P6), the Council had received three tranches of emergency funding support, additional specific grants from the Government and estimated funding in the recovery of income losses totalling £53.0m, (£53.5m excluding £0.5m utilised against COVID impact in 2019/20).</p> |                                |                                 |

In October, further funding streams were announced by the government which were not incorporated in the forecast. These include the fourth tranche of un-ringfenced COVID emergency funding of £919m nationally (Bristol share £11.1m) and an extension to the Adult Social Care Infection Control Fund until March 2021, £546m nationally, £3.7m for Bristol. This report seeks approval to incorporate and utilise these funding streams in 2020/21. Please note the infection control fund, Surge enforcement fund and the supported housing bid are expected to have nil impact on the net forecast position once both funding and cost are incorporated in P7 forecast.

Taking into account the new funding announcements, the revised residual general fund COVID budget gap is expected to reduce from £14.9m (£15.7m in P5) to £3.8m which is proposed to be mitigated by approved local funds. Please note that the residual mitigations previously identified will be held in abeyance for uncertainties arising under the government's new 3-tier system and implications of local measures required in 2020/21 with any residual amount carried forward to 2021/21 offsetting future year COVID financial pressures.

The revised corporate mitigating actions for 2020/21 are as follows:

- Utilisation of the government's coronavirus Job retention scheme (£1.7m)
- Utilising £0.7m from General Reserves (above the policy compliant level of 5% )
- Utilise £1.4m from Earmarked Reserves (Public Health £0.5m & PFI £0.9m)

Please note that the government had announced £100m via DCMS to be used to introduce a new fund which will support council leisure centres most in need, however further details, legibility and conditions on the scheme are yet to be released therefore no additional grant is currently assumed in the forecast.

Also note the COVID 19 related forecast excludes income losses c£25.0million attributed to the reduction in the levels of Council Tax and business rates collected, which will have a budgetary impact in 2021/22 and beyond. Plans to address this will be outlined in the 2021/22 budget.

#### Non COVID 19

The non COVID 19 forecast variations for General Fund in 2020/21 equates to a net £5.3m (£7.1m in P5) overspend mainly relates to pressures in Adult Social Care (£7.1m) which including non-delivery of savings aligned to the Better lives programme. This pressure is partly offset by mitigations identified in other Directorates.

#### Ring Fenced budgets

Public Health reported £0.5m draw-down from Earmarked Public Health Reserves to support Leisure Services contract pressure during the pandemic. HRA reported a forecast underspend of £3.5m due to delays in recruitment and the repairs and maintenance programme. DSG reported a forecast in-year overspend of £8.1m mainly relates to increase activities in the high-need block and increasing pressures relation COVID and the reopening of the school.

Recovery plans are being developed across all directorates including a range of management actions that will enable expenditure to be held in abeyance, key service requirements to be delivered and a balance budget position achieved. This position and proposed mitigations will be reported in future monitoring reports once finalised and closely monitored thereafter.

#### Future Action

The Council is required to ensure that it has a balanced financial plan after taking into account deliverable cost savings and/or local income growth strategies as well as useable reserves. If during monitoring of the original budget it is considered that significant variations in either expenditure or income may result in an unbalanced budget then alternative action must be taken to bring the budget back into balance. Such action would include drawing-down further from reserves or reducing expenditure.

We recognise that the impact of the pandemic and economic recovery will go beyond a single financial year, therefore significant, sustainable long-term additional finance will be required in order to deliver services in an adverse economic cycle where demand for public services will significantly increase. Please see more details in the published MTFP.

Full detail of revenue spending and forecast is provided in Appendix A and A1 to A6  
 Full details of Capital spending and forecast is provided in Appendix B and A1 to A6

**Recommendations:**

**That Cabinet Approve:**

1. The incorporation of the fourth tranche of un-ringfenced COVID emergency funding from the government to the 2020/21 budget (£11.1m), as outlined in Appendix A, Section 3.4.3.
2. The incorporation of Round 2 extension of the Adult Social Care Infection Control Fund (£3.7m) to the 2020/21 budget as outlined in Appendix A, Section 3.4.4.
3. The incorporation of the Surge enforcement fund (£0.3m) to the 2020/21 budget as outlined in Appendix A, Section 3.4.5.
4. The incorporation of the MHCLG award of £249,099 for the Supported Housing Oversight Pilot as outlined in Appendix A Section 3.4.6 and Appendix A8.
5. The re-profiling of the Capital Programme as outlined in Appendix B.

**That Cabinet note:**

6. Risks associated with the forecast outturn and the long-term financial impact on the Council as a result of COVID-19 pandemic
7. The £3.8m COVID 19 funding gap is indicative and that the residual mitigations previously identified will be held in abeyance for uncertainties arising under the government's new 3-tier system and implications of local measures required in 2020/21 with any residual amount carried forward to 2021/21 offsetting future year COVID financial pressures.
8. The estimated Collection fund deficit of £25.0m impacting in future years Appendix A, Section 3.5.
9. A risk of non COVID-19 related overspend on General fund services, an overall forecast overspend of £5.3m for 20/21 at Period 6, representing 1.3% of the approved budget and that it is expected that the forecast overspend will be managed through management actions / mitigations through the rest of the financial year.
10. Forecasts underspend of £3.5m with regard to the Housing Revenue Account.
11. A forecast in-year deficit of £8.1m and a total £11m carried forward deficit in the ring fenced Dedicated Schools Account (DSG).
12. In line with the scheme of delegation the emergency decision record with regards to the distribution of Round 2 (phase 1) Infection Control fund (Appendix A7)
13. A forecast £92.3m underspend against the approved Capital Programme, which requires budget re-profiling at the end of P6.

**Corporate Strategy alignment:** This report sets out progress against our budget, part of delivering the financial plan described in the Corporate Strategy 2018-23 (p4) and acting in line with our organisational priority to 'Be responsible financial managers' (p11).

**City Benefits:** Cross priority report that covers whole of Council's business.

**Consultation Details:** n/a

|  |  |   |  |
|--|--|---|--|
| <b>Revenue Cost</b>                          | <b>See Above</b>                             | <b>Source of Revenue Funding</b>                | Various  |
| <b>Capital Cost</b>                          | <b>See Above</b>                             | <b>Source of Capital Funding</b>                | Various  |
| <b>One off cost</b> <input type="checkbox"/> | <b>Ongoing cost</b> <input type="checkbox"/> | <b>Saving Proposal</b> <input type="checkbox"/> | <b>Income generation proposal</b> <input type="checkbox"/> |

**Required information to be completed by Financial/Legal/ICT/ HR partners:**

**1. Finance Advice:** The resource and financial implications are set out in the report.

**Finance Business Partner:** Michael Pilcher (Chief Accountant) 23/10/20

**2. Legal Advice:** The report, including the detail set out in the appendices, will assist Cabinet to monitor the budget position, the ongoing impact of COVID 19 and mitigations put in place, with a view to meeting the Council's legal obligation to deliver a balanced budget.

|   |                |          |
|---|----------------|----------|
| <b>Legal Team Leader:</b> Nancy Rollason, Head of Legal Service 23/10/20  |                |          |
| <b>3. Implications on IT:</b> There are no additional IT implications arising from production of this report.   |                |          |
| <b>IT Team Leader :</b> Simon Oliver, ICT 23/10/20  |                |          |
| <b>4. HR Advice:</b> Expenditure on staffing is monitored on a monthly basis. Managers are required to manage expenditure within the agreed staffing budget that has been set for 2020/21. As part of the work to refresh of the Medium Term Financial Plan, the workforce implications arising from estimated reductions in the Council's income will require consideration. |                |          |
| <b>HR Partner:</b> Mark Williams, Head of Human Resources 23/10/20  |                |          |
| <b>EDM Sign-off</b>   | Denise Murray  | 26/10/20 |
| <b>Cabinet Member sign-off</b>  | Clr Cheney     | 26/10/20 |
| <b>For Key Decisions - Mayor's Office sign-off</b>  | Mayor's Office | 26/10/20 |

|  |            |
|--|------------|
| <b>Appendix A – P02 Revenue Budget Monitoring Report</b> | <b>YES</b> |
| <b>Appendix B – P02 Capital Budget Monitoring Report</b> | <b>YES</b> |