

# Decision Pathway – Report



**PURPOSE:** Key decision

**MEETING:** Cabinet

**DATE:** 13 July 2021

<b>TITLE</b>	<b>2021/22 Period 2 Finance Report</b>		
<b>Ward(s)</b>	n/a		
<b>Author:</b> Michael Pilcher	<b>Job title:</b> Chief Accountant		
<b>Cabinet lead:</b> Cllr Craig Cheney	<b>Executive Director 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> The Council budget for 2021/22 was agreed by Council in February 2021 and this report provides the update on the Council's financial performance at Period 2 (end of May) against the approved budget and forecast use of resources for the financial year 2021/22.			
<b>Evidence Base:</b> The budget set in February 2021 was balanced over 5 year medium term. The Council operates to 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.  For 2021/22 full Council agreed the following: <ul style="list-style-type: none"> <li>○ The General Fund net budget of £424.1m; forecast variation at P2 is £23.0m overspend, prior to the application of the COVID-19 funding.</li> </ul> The Ring-fenced Accounts <ul style="list-style-type: none"> <li>○ Housing Revenue Account (HRA) of £106.8m gross expenditure budget (forecast underspend of £1.5m at P2)</li> <li>○ The Dedicated Schools Grant (DSG) budget, including amounts recouped by the Education and Skills Funding Agency for Academies, is £404.7m (forecast £10.5m in-year deficit at P2 and a total £20.5m carried forward deficit)</li> <li>○ The Public Health budget is £33.6m (no forecast variation at P2)</li> </ul> Capital Programme <ul style="list-style-type: none"> <li>○ Capital programme revised budget 2021/22 only is £223.3m for General fund and £110.6m for HRA. (forecast variation at P2 £20.6m underspend on General fund and £25.7m underspend on HRA)</li> </ul> <b>Core Activity</b> We are currently forecasting expecting to breakeven on core services budgets however there is significant risk to delivering this which will need consideration and mitigations to be identified during the year. There is still a high level of savings planned within the current year budget but which hasn't been delivered, at P02 this still outweighs the level of optimism bias applied within budget setting so represents a risk to year end position. Savings have a robust			

governance process for tracking delivery through Executive Directorate Meetings and Delivery Executive and all savings are expected to be delivered or mitigated by the end of the financial year.

There are also service risks particularly within Adult Social Care, Childrens Social Care and Property services which could result in overspends at the end of the financial year if not mitigated in a timely manner. Where services have projected risks to exceeding their cash limited budgets the Council have a governance pathway to review these areas and agree action plans for ensuring approved budgets aren't exceeded.

#### COVID-19

The Council is managing the financial impact of Covid-19 over the medium term. Provision has been made in the budget for additional expenditure and income losses which are anticipated to occur against base budgets but core budgets have not been individually realigned to transparently report and manage the impact of Covid-19 separately from core activities. The medium term budget identified £43.7million resource to manage this impact of Covid-19, with £30.2million from specific Covid grants and £13.5m from the Council's resources and other one-off non-covid grant funding. In addition £21.7million of earmarked funding was carried forward from 2020/21.

There is risk that these costs may start to exceed resources available over the medium term if not carefully managed or if additional funding is available to mitigate.

#### Dedicated Schools Grant

The in-year forecast deficit on the DSG is £10.5m, which when added to the brought forward balance will give a total deficit to carry forward at the end of the year of £20.5m. The main area for concern continues to be the High Needs block which is forecasting an overspend, in-year, of £10.5m. This position has deteriorated by £2.7m since the first iteration of a deficit management plan was presented to Schools Forum on 8 June 2021, this reflects the full year impact of special education needs tops ups agreed during the last financial year.

#### Housing Revenue Account

The Housing Revenue Account (HRA) is forecasting an underspend of £1.5million, predominantly due to vacancies across the service however there are significant risks which will impact the HRA budget such as increase in arrears following economic impact of the pandemic and the inflationary impact on labour and materials for repairs and construction works on housing stock.

#### Public Health

Public Health services are forecasting a breakeven position against the in-year grant allocation.

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

#### **Cabinet Member / Officer Recommendations:**

##### **That Cabinet note,**

- Risks associated with the forecast outturn and the long-term financial impact on the Council as a result of COVID-19 pandemic.
- The significant risks within service areas of non COVID-19 related overspend on General fund services, an overall forecast breakeven position for 21/22 at Period 2 and that it is expected that the risk of overspend will be managed through management actions / mitigations through the rest of the financial year.
- Forecasts underspend of £1.5m within the Housing Revenue Account.
- A forecast in-year deficit of £10.5m and a total £20.5m carried forward deficit in the ring fenced Dedicated Schools Account (DSG)
- A breakeven position on Public Health services.
- A forecast £46.3m underspend against the approved Capital Programme.

#### **Corporate Strategy alignment:**

1. 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).
<b>City Benefits:</b> 1. Cross priority report that covers whole of Council's business
<b>Consultation Details:</b> n/a
<b>Background Documents:</b> <a href="https://www.bristol.gov.uk/council-spending-performance/council-budgets">https://www.bristol.gov.uk/council-spending-performance/council-budgets</a>

<b>Revenue Cost</b>	See above	<b>Source of Revenue Funding</b>	Various
<b>Capital Cost</b>	See above	<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"/>

<b>Required information to be completed by Financial/Legal/ICT/ HR partners:</b>		
<b>1. Finance Advice:</b> The resource and financial implications are set out in the report		
<b>Finance Business Partner:</b> Michael Pilcher (Chief Accountant) 05/07/2021		
<b>2. Legal Advice:</b> 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 06/07/2021		
<b>3. Implications on IT:</b> There are no IT implications arising from production of this report.		
<b>IT Team Leader:</b> Simon Oliver, Director Digital Transformation 06/07/2021		
<b>4. HR Advice:</b> No HR implications evident		
<b>HR Partner:</b> James Brereton, HR Business Partner		
<b>EDM Sign-off</b>	Mike Jackson	06/07/2021
<b>Cabinet Member sign-off</b>	Councillor Craig Cheney	06/07/2021
<b>For Key Decisions - Mayor's Office sign-off</b>	n/a	n/a

<b>Appendix A – Further essential background / detail on the proposal</b>	<b>YES</b>
<b>Appendix B – Details of consultation carried out - internal and external</b>	<b>NO</b>
<b>Appendix C – Summary of any engagement with scrutiny</b>	<b>NO</b>
<b>Appendix D – Risk assessment</b>	<b>NO</b>
<b>Appendix E – Equalities screening / impact assessment of proposal</b>	<b>NO</b>
<b>Appendix F – Eco-impact screening/ impact assessment of proposal</b>	<b>NO</b>
<b>Appendix G – Financial Advice</b>	<b>NO</b>
<b>Appendix H – Legal Advice</b>	<b>NO</b>
<b>Appendix I – Exempt Information</b>	<b>NO</b>
<b>Appendix J – HR advice</b>	<b>NO</b>
<b>Appendix K – ICT</b>	<b>NO</b>
<b>Appendix L – Procurement</b>	<b>NO</b>