

EXECUTIVE SUMMARY OF AGENDA ITEM 9

Report title: Period 7 (end of October) Finance Report

Wards affected: All

Strategic Director: Anna Klonowski

Report Author: Denise Murray: Service Director: Finance & s.151 Officer

RECOMMENDATION for the Mayor's approval:

It is recommended that the Mayor:

1. Notes the contents of the Report and in particular the continuing seriousness of the General Fund financial position of £17.5m forecast outturn deficit, as at the end of October 2016. This represents a net decrease to the deficit of £10m, being increases of £0.9m less decreases of £10.9m, from end of September forecast and is mainly as a result of incorporating mitigating actions reported to cabinet in December 2016, which have now been agreed through Full Council on 13th December 2016
2. Cabinet where appropriate, continue to work with Officers in undertaking mitigating actions to bring the General Fund position closer to balance, in particular endorsing the actions to be led by the Interim Chief Executive, Service Director: Finance and Strategic Leadership Team set out at paragraph 11;
3. Agrees the following in relation to the Capital Programme:
 - a. To note the total net movement in the Capital Programme from £221.2m to £222.8m, being the Capital Budget Adjustments reported to cabinet in December 2016;

Key background / detail:

1. To provide a progress report on the Council's overall financial performance against revenue and capital budgets for the 2016/17 financial year that were approved by Council on the 16th February 2016. The report focuses on significant variances to meeting the budget in 2016/17 in order to take timely actions to deliver a balanced position at year end.

Key details:

2. Key messages from the Period 7 Budget Monitoring:

The Council is in a serious financial position forecasting a General Fund revenue position of £17.5m forecast outturn deficit before further mitigating actions or use of general reserves. This represents a net decrease to the deficit of £9.5m, being increases of £0.9m less decreases of £10.9m, from end of September forecast. Although there has been a reduction in the forecast outturn deficit, the remaining deficit must be addressed to ensure that we end the financial year in a balanced position.

The movement in the deficit arises mainly from incorporating mitigating actions reported to cabinet in December 2016. This includes the flexible use of in-year capital receipts to fund transformation activity allowing the release of c£5.3m of reserves, the review of the Minimum Revenue Provision (MRP) allowing for a reduced MRP charge in 2016/17 of £4.3m and the release of grant funding to revenue (Energy Services) of c£1.3m.

As outlined in previous reports, the interim Chief Executive has put in place a number of activities which should bring the position closer to balance and details of the actual and potential impact of these actions are included in this report. It should be noted that as savings are being identified through the Corporate Savings Programme, as they are validated, these savings are secured by reducing relevant budgets across directorates. Therefore, net revenue service budgets are reducing through the financial year.

In addition to the mitigating actions highlighted in previous reports, the Council is extending its freeze on non-essential spend. The spending freeze is a positive management action to protect the Council finances for the medium and longer term in a controlled but effective manner. Non-essential spend can be considered as all spend associated with activities that are not wholly and exclusively funded from; specific ring fenced grant, other external funding (cash neutral to the Councils General Fund) or funded from trading / operating income. The main exceptions are where failing to act would expose the council to a statutory, regulatory or legal risk or presents an imminent danger to the public and staff. The impact of the freeze in reducing the council's actual and forecasted 2016/17 expenditure will be monitored and will be reflected in future reports.

Capital spending in year is forecast to be £225.9m compared to the current budget of £222.8m, resulting in a forecast overspend of £3.1m. Movements in the capital programme have been identified, being slippage from 2016/17 into 2017/18, resulting in a current budget as at Period 7 of £222.8m. Further adjustments of £1.6m were reported to Cabinet in December 2016, and are now reflected in the Capital Programme.

**BRISTOL CITY COUNCIL
CABINET
10th January 2017**

REPORT TITLE: Period 7 (end of October) Finance Report

Ward(s) affected by this report: All

Strategic Director: Anna Klonowski

Report Author: Denise Murray, **Service Director:** Finance & s.151 Officer

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Purpose of the report:

To provide a progress report on the Council's overall financial performance, including against the approved revenue and capital budgets for the 2016/17 financial year that were approved by Council on the 16th February 2016.

RECOMMENDATION for the Mayor's approval:

It is recommended that the Mayor:

1. Notes the contents of the Report and in particular the continuing seriousness of the General Fund financial position of £17.5m forecast outturn deficit, as at the end of October 2016. This represents a net decrease to the deficit of £10m, being increases of £0.9m less decreases of £10.9m, from end of September forecast and is mainly as a result of incorporating mitigating actions reported to cabinet in December 2016, which have now been agreed through Full Council on 13th December 2016;
2. Cabinet where appropriate, continue to work with Officers in undertaking mitigating actions to bring the General Fund position closer to balance, in particular endorsing the actions to be led by the Interim Chief Executive, Service Director: Finance and Strategic Leadership Team set out at paragraph 11;
3. Agrees the following in relation to the Capital Programme:
 - b. To note the total net movement in the Capital Programme from £221.2m to £222.8m, being the Capital Budget Adjustments reported to cabinet in December 2016;

Background

1. The Report provides information and analysis on the Council's financial performance and use of resources to the end of Period 7 of 2016/17. Council set its budget for the 2016/17 on 16th February 2016. The report focuses on forecast variances to meeting the budget for 2016/17, in order to take timely actions to deliver a balanced position at year end.
2. The Council is in a serious financial position forecasting a General Fund revenue position of £17.5m forecast outturn deficit before further mitigating actions or use of general reserves. This represents a net decrease to the deficit of £9.5m, being increases of £0.9m less decreases of £10.9m, from end of September forecast. Although there has been a reduction in the forecast outturn deficit, the remaining deficit must be addressed now to ensure that we end the financial year in a balanced position and avoid unnecessarily making the financial challenges in future years larger.
3. The movement in the deficit arises mainly from incorporating mitigating actions reported to cabinet in December 2016. This includes the flexible use of in-year capital receipts to fund transformation activity allowing the release of c£5.3m of reserves, the review of the Minimum Revenue Provision (MRP) allowing for a reduced MRP charge in 2016/17 of £4.3m and the release of grant funding to revenue (Energy Services) of c£1.3m.
4. As outlined in previous reports, the interim Chief Executive has put in place a number of activities which should bring the position closer to balance and details of the actual and potential impact of these actions are included in this report. It should be noted that as savings are being identified through the Corporate Savings Programme, as they are validated, these savings are secured by reducing relevant budgets across directorates. Therefore, net revenue service budgets are reducing through the financial year.
5. In addition to the mitigating actions highlighted in previous reports, the Council is extending its freeze on non-essential spend. The spending freeze is a positive management action to protect the Council finances for the medium and longer term in a controlled but effective manner. Non-essential spend can be considered as all spend associated with activities that are not wholly and exclusively funded from; specific ring fenced grant, other external funding (cash neutral to the Councils General Fund) or funded from trading / operating income. The main exceptions are where failing to act would expose the council to a statutory, regulatory or legal risk or presents an imminent danger to the public and staff. The impact of the freeze in reducing the council's actual and forecasted 2016/17 expenditure will be monitored and will be reflected in future reports.
6. This action is required not only to mitigate the forecast outturn deficit in this financial year, but also to ensure a balanced budget for next financial year, as many of the actions taken to date to manage the position in this financial year are one-off rather than recurring solutions.
7. Future reports will include recommendations on mitigating actions, where required.

A - Revenue Expenditure

8. The Council's overall annual revenue spend is managed across a number of areas:
- The General Fund with a net budget of £345.4m, providing revenue funding for the majority of the Council's services;
 - The Dedicated Schools Grant (DSG) (£175m in 2016/17), which is ring-fenced for schools funding, overseen by the Schools' Forum, and managed within the People Directorate;
 - Public Health, a ring-fenced grant of £36.2m in 2016/17, must be spent to support the delivery of the Public Health Outcomes Framework and is managed within Neighbourhoods;
 - The Housing Revenue Account (HRA) of £152.7m gross spend in 2016/17, is reported separately to the general fund, and is managed within Neighbourhoods.
9. Each area represents a significant element of the Council's overall revenue expenditure. Further details of the current spend position against budget is provided in the remainder of this section.

General Fund

10. Table 2 provides a summary of how each directorate is performing against the general fund revenue budget for the 2016/17 financial year. Actions are in progress and further actions are being identified to manage and mitigate the identified budget pressures and risks. The Interim Chief Executive, Strategic and Service Directors are actively identifying proposals to minimise the gap, with all budget holders ensuring the forecasting is as accurate as possible.
11. As previously reported, officers have established a series of work streams designed to reduce the deficit. A summary of the actions taken and outcomes of these actions is summarised below:

Item	Action Taken	Potential Financial Impact
1. Review of the Capital Programme	<ul style="list-style-type: none"> The programme has been reviewed and £63.2m of capital expenditure has been re-profiled from 2016/17 into 2017/18. The capital programme will continue to be reviewed and the outcomes of this will be reflected in the Medium Term Financial Plan. The funding sources of the capital programme, identifying an element of grant funding that can be applied to revenue rather than capital. The benefit of this is reflected in the forecast for the Place Directorate. 	<p>There is a benefit to the capital financing in year of £0.1m, which is already included in the forecast underspend.</p> <p>c£1.3m released grant funding to general revenue fund.</p>
2. Voluntary Severance Programme	This was implemented through September 2016. The total reduction across 2 years is £9.3m which includes reductions secured against Public Health, DSG & HRA etc. also.	There is a reduction in spend of £3.9m in 2016/17 and a further £5.4m in

	These savings are reflected in the current forecasts. This has resulted in a workforce reduction of approximately 303 staff.	2017/18.
3. Technical Accounting Adjustments	<ul style="list-style-type: none"> • There has been a thorough review of the use of reserves. £2.4m has been released from reserves to reduce the deficit and is reflected in the forecast; • We have reviewed the Council's potential use of new powers on the Flexible Use of Capital Receipts, and a report was presented to Full Council on 13th December 2016 with appropriate recommendations. This is now reflected in the forecast for the Corporate savings Programme; • An initial review of the Council's Minimum Revenue Provision Policy has been concluded and the relevant conclusions were recommended to Full Council on 13th December. This is now reflected in the forecast for Other Budgets; • MRP Clawback – this is being reviewed as part of the review on the Council's MRP policy and further clarification is being sought, and a further update will be provided in future reports. • A review of VAT has commenced, with initial data provided to external advisors to assess potential savings, which is free of charge, prior to commissioning a formal review. 	<ul style="list-style-type: none"> • £2.4m reduction in forecast outturn deficit, included in forecast; • Fund £5.3m transformational costs from Capital Receipts & release funding from reserves • MRP Base Budget adjustment in-year reduction to capital financing costs of £4.3m
4. Capital Disposals Programme See paragraph 36 & 37	Property Services and the Property Board (officer group) have reviewed the programme of capital disposals, identifying assets for sale in 2016/17 through to 2019/20 and beyond. Capital receipts are estimated to be c£20m in total for the current and next 2 years, however more work is required to increase this.	<ul style="list-style-type: none"> • Capital receipts of £5.3m are currently estimated for 16/17, with a further £15m over 2017/18 & 2018/19.
5. Reduction in non-essential expenditure	As reported above, the Council has extended its spending freeze on non-essential expenditure (see para 5 to 7). The financial impact of this will be reported in future reports.	<ul style="list-style-type: none"> • There has been a reduction in marketing and advertising forecast spend by £0.5m; • Reduction of

		equipment spend of £150k
6. Review of Income	All Service Directors have been tasked with reviewing sources of income and reviewing inflation assumptions on fees and charges.	To date Directorates have not identified any new income streams for review.
7. Review of agency spend	<ul style="list-style-type: none"> • All off-contract agency spend has been reviewed – all such contracts to be ended by 31st December 2016. Reductions in forecast agency spend is reflected in the forecasts; • Review of all agency staff who have been with the authority for more than 52 weeks to either end their engagement or review their employment terms; • The Council has extended its spending freeze on non-essential expenditure, which includes stopping recruitment to permanent or temporary roles not considered business critical. 	<ul style="list-style-type: none"> • The number of FTE agency staff has reduced from 205 in Sept to 170.5 in Nov. • Agency spend has reduced from £906k in Sept to £745k in Nov.
8. Budget Review Meetings	The Interim Chief Executive and s.151 Officer have completed a further round of review meetings in early December, which were directed at reviewing the budget position for 2017/18.	

12. The following forecasts are based on actual expenditure to the end of October 2016 and Budget Managers' estimates of future spending for the rest of the financial year, as approved by each DLT. The net overall forecast outturn of £17.5m represents 5.1% of the General Fund net revenue budget.

13. The following table provides a summary of the general fund revenue position at directorate level. A more detailed analysis is provided at Appendix A. Also included in the appendix is information on Year to Date spend, compared to Year to Date net budget. This is provided for additional information. Budgets are profiled equally across the year, but spending profiles may be different.

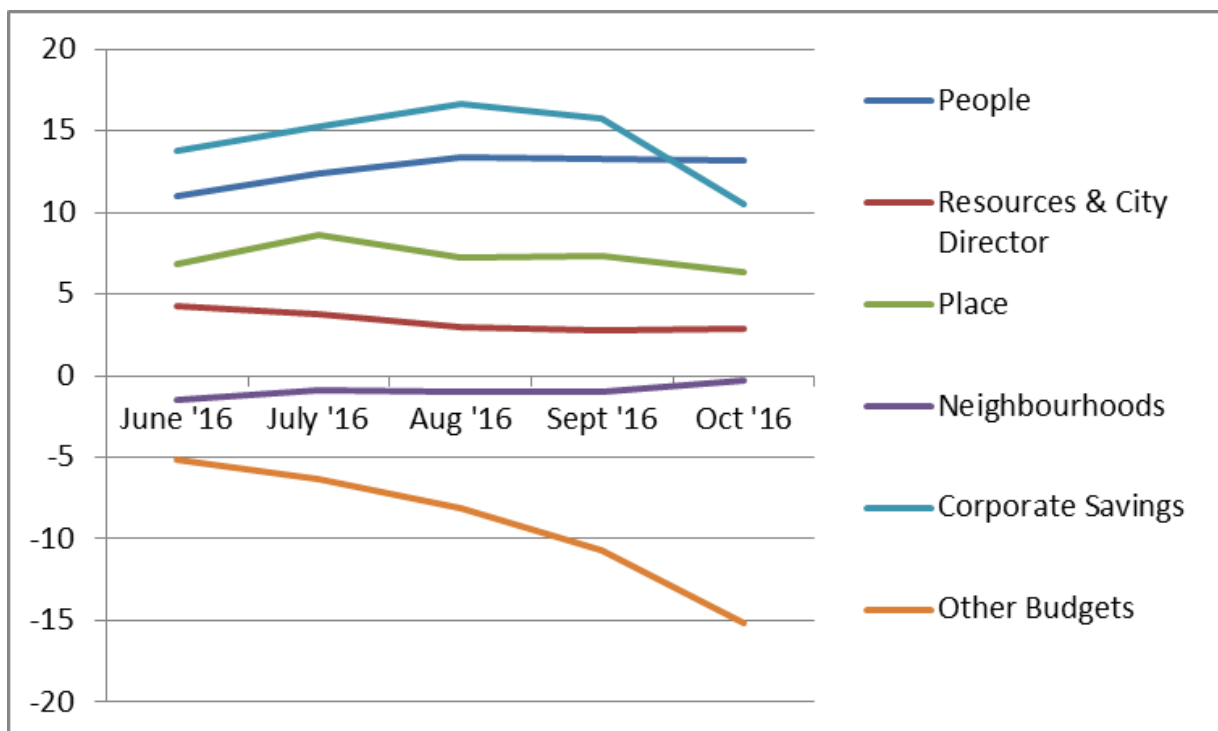
Table 2: General Fund Forecast Net Expenditure

General Fund Revenue Budgets - Period 7			Forecast Outturn Variance (Under)/Over Spend	Forecast Outturn Variance at Period 6	
	Net Budget £m	Forecast Outturn £m	£m	£m	
Directorate					
People	207.1	220.3	13.2	13.3	↓
Place	17.8	24.1	6.3	7.3	↓
Neighbourhoods	69.1	68.7	-0.4	-1.0	↑
Resources	25.5	28.8	3.2	3.2	
City Director	6.9	6.6	-0.3	-0.4	↑
Corporate Savings Programme (Net Budget)	-9.2	1.3	10.5	15.8	↓
SUB TOTAL – SPENDING ON SERVICES	317.1	349.8	32.7	38.2	↓
Other Budgets *	28.6	15.8	-12.8	-8.3	↓
Released from Reserves	0.0	-2.4	-2.4	-2.4	
TOTAL	345.7	363.2	17.5	27.5	↓

*Other Budgets includes capital financing & borrowing costs, un-apportioned central overheads and contingencies.

14. The following chart provides a trend analysis of the forecast outturn, by directorate, reported since quarter 1, end of June 2016.

Chart 1: Trend Analysis of Forecast Outturn



14.1 People Directorate - £13.2m Pressure

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
People Directorate	462.7	(255.6)	207.1

The major areas of identified pressures within the People Directorate are within Children's and Adults' Social Care. The reported position of £13.2m is after mitigating actions identified and there are further mitigating activities in development to achieve greater reductions this year. The most significant cause of pressures is both a mix of demographic pressures of both an increasing child population (15% in the last ten years) and an ageing population (21% adults living over 85 than 10 years previously). This is combined with a number of legislative changes that increase statutory responsibilities of local authorities without sufficient national financing.

Part of the pressure is due to areas of the Medium Term Financial Strategy of 2014-17 where delivery has not been achieved in full, and this impacting on 2016-17 position. They are as follows:

	Overall Target £m	Delivered £m	Remaining to Deliver £m
Home Care	3.5	0.6	2.9
Residential Care	4.0	1.3	2.7
Home to School Travel	1.3	0.9	0.4
Trading with Schools	1.6	0.8	0.8

Care & Support Adults - £5.4m Pressure

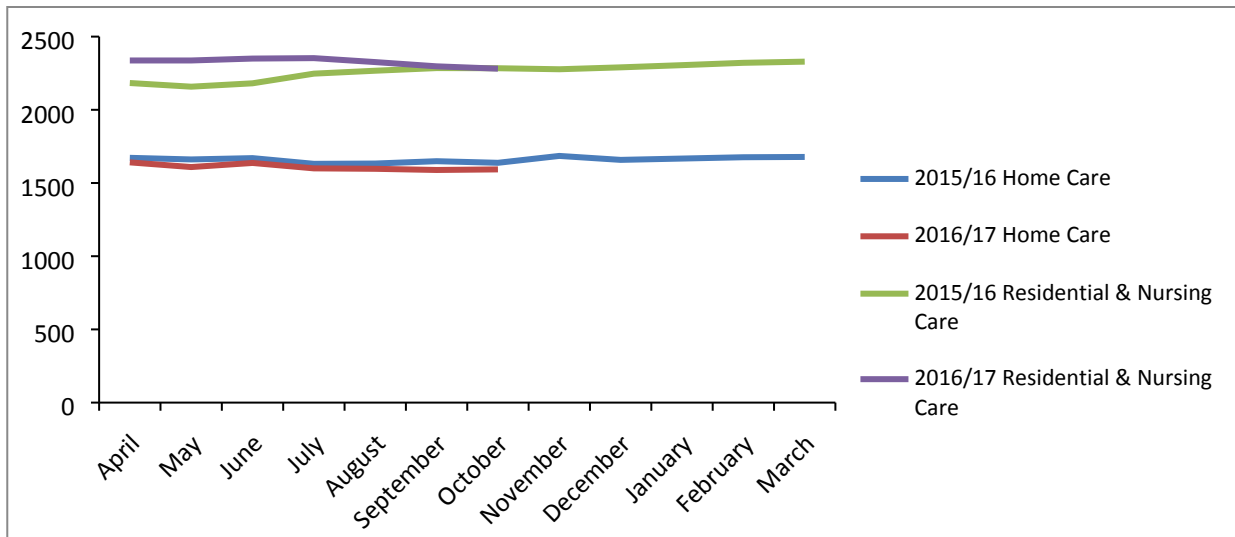
There are significant pressures in demand for services as set out above and specifically due to the increasing numbers of frail older people, people living longer with dementia and people living longer with lifelong conditions, which require significant input from health and social care services.

In addition, The Care Act has led to significant increase in demand. The Care Act placed a duty on councils to offer carers an assessment of their need. The council support 33% more carers in 15/16 than in 14/15.

The Council has just approved the four year strategic plan for Adult Social Care in December, which following detailed development with partner agencies sets out a longer term approach to managing social care.

In the current year the following tables set out the pattern of demand.

Chart 2: Trend in Monthly Residential and Home Care Activity



As mentioned in previous Finance Reports, pressures relating to the Supreme Court (DOLS) judgement in March 2014 and increases in the number of Mental Health Act assessments (assessments where people are in severe mental health crisis which poses an immediate threat to themselves or others) has led to a rise in cost of the long term packages of aftercare under Section 117 of the Mental Health Act. This represents a significant cost pressure to both the NHS and Council.

The new four year plan sets out our new approach to care around a 3 tier model for both assessment and support based on principle of:

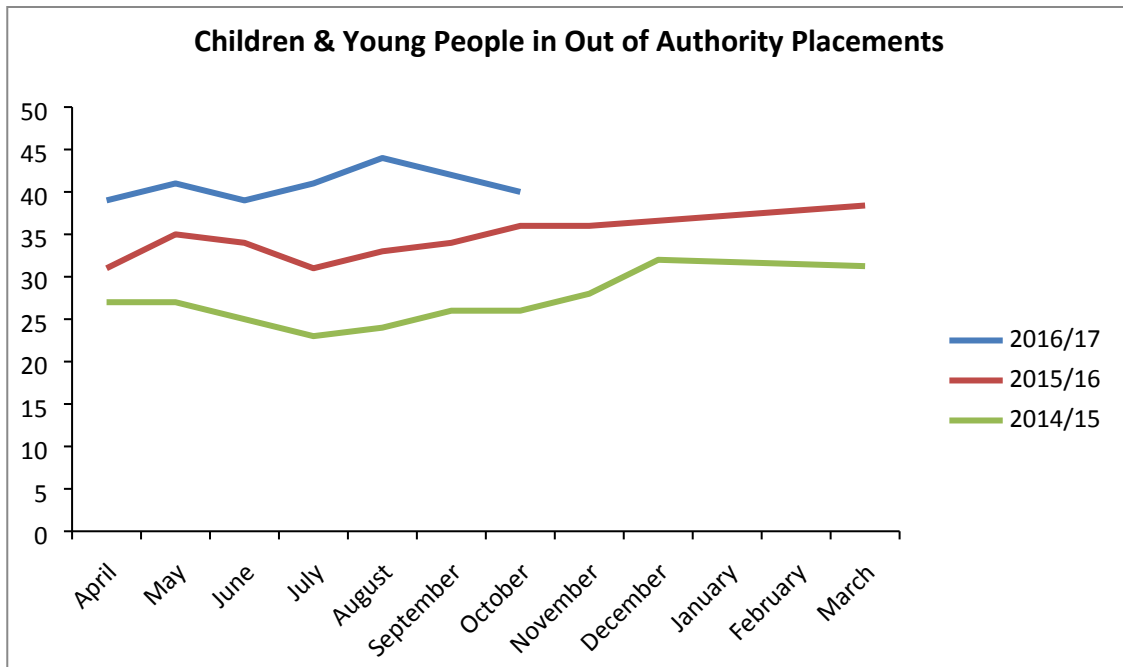
- Help to help yourself
- Help when you need it
- Help to live your life.

This model will drive both our closer integration with health services and help to manage future rising demand.

Care & Support Children and Families - £3.5m Pressure

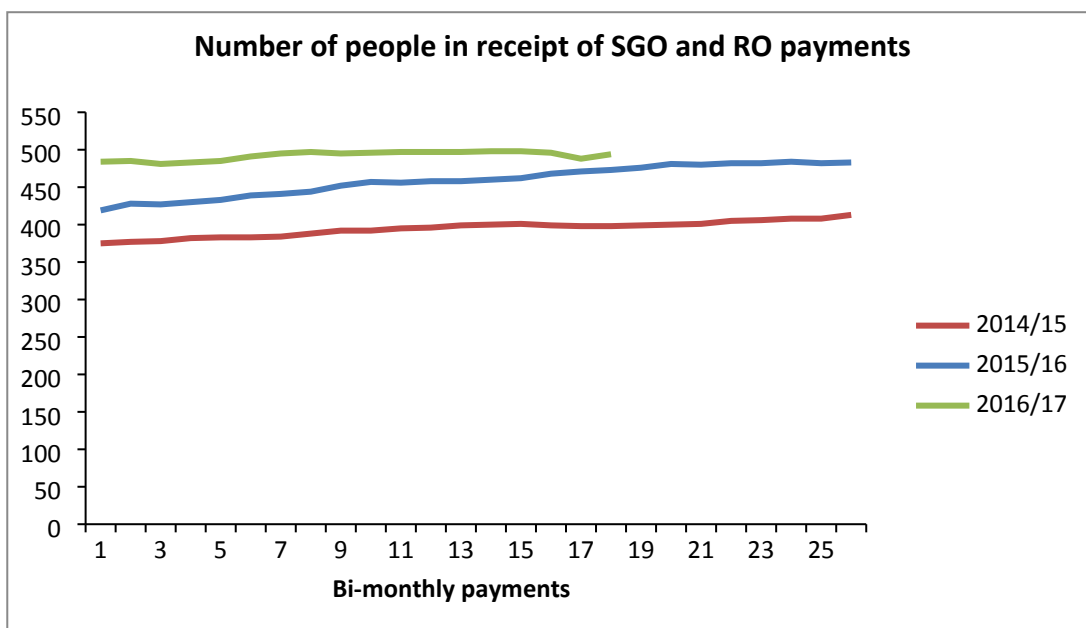
In the context of both a rising child population and increasing complexity of need in a number of cases, budget pressures are being faced in Children in Care. Whilst the numbers of Children in Care have remained around 700 over the last five years, against a rising child population, the average unit cost has increased due to an increase in the number of out of authority placements from an average of 26 during 2014/15 to currently 41, resulting in a budget pressure of £2.5m.

Chart 4: Children and Young People in Out of Authority Residential Placements



There also continues to be a significant pressure as a result of increases in special guardianship orders (SGOs) and residency orders (ROs). The number in receipt of SGO's and RO's has increased from 375 in 2014/15 to just fewer than 500 in 2016 resulting in a budget pressure of £1.8m. However this is balanced in part by some positive savings in numbers of children in independent fostering.

Chart 5: Increase in Numbers of SGO and RO Payments



Early Intervention & Targeted Support - £4.1m Pressure

The main areas of financial pressure within Early Intervention are in providing care for young people with Disabilities in the Preparing for Adulthood service. There is currently insufficient budget provision to meet new responsibilities under legislation of the Children and Families Act requiring Local Authorities to support young people up to 25 prior to adulthood.

Significant savings have been made in Home to School Travel costs however the current planned savings are no longer possible due to expected decrease in prices not occurring. In order to deliver these savings and in line with the three tier model approach, demand is being managed by promoting more independent means of travel such as bus passes rather than taxis.

Local Authorities have a duty to fund accommodation costs of Youth Offenders on remand. These are low frequency high cost placements which are currently creating significant strain on budgets. Local Authorities can access some funding for this but it is insufficient to meet the full cost of placements.

Where a family is homeless but not deemed eligible under the Housing Act, we have a responsibility to provide emergency accommodation for children of families under the Children and Families Act. Due to the increase in homelessness across Bristol this is a financial pressure of £0.6m in 2016/17.

Strategic Commissioning & Commercial Relations - £1.0m Surplus

The pressures outlined as above are in part mitigated by underspends.

There is a forecast £1.0m underspend in Strategic Commissioning, this primarily relates to a reduction in spend on Supporting People contracts due to lower activity than expected.

Summary

Stringent controls are being applied on expenditure balanced with delivering our basic LA Statutory responsibilities for care to achieve the best year end positives.

14.2 Place Directorate - £6.3m Pressure

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
Place Directorate	121.4	(103.6)	17.8

The directorate is reporting a £6.3m variance to budget which consists of a £9.0m pressure within Property offset by surpluses or underspends of (£1.2m) in Transport, (£0.2m) in the Place ABS team, (£0.3m) in Planning and (£1.1m) in Energy while the Economy division is forecasting to be on budget. This represents a movement of (£1.0m) since Period 6.

Economy – on budget

There are forecast surpluses of: £0.2m from increased rental income at Filwood Green Business Park; £0.1m from trading at the Bottleyard and £0.1m from grant payments under Economic Development projects. These are offset by deficits of £0.2m in the Place Management account and £0.1m relating to the Temple Quarter Enterprise Zone.

The forecast has been adjusted to take into account the agreed amendment to Museum Opening hours agreed by Cabinet on 6th September 2016. The remaining variance (£0.2m) relates to the part year effect of the museum operating pressure that will be fully mitigated in 2017/18 by this Cabinet decision. The reported position for Period 7 has changed by (£0.1m) since Period 6 and expenditure on grants has been reduced in the current financial year to mitigate the spending pressures.

Energy – (£1.1m) Surplus

There is anticipated to be a shortfall in rechargeable income from the HRA and Trading for Schools in the Energy (utility) Purchase budget. This is due to the Energy price reduction in recent years being captured as a corporate saving without any corresponding reduction in income target for the energy service. This presents a net pressure of £638k this year. There is a £66k income shortfall in District Energy / Biomass that is offset by prudential borrowing savings in Wind Energy (£140k). A one-off saving of £429k is now anticipated as a result of the Green Deal revenue contribution to offset these pressures in the current year.

The Energy Budget forecast now includes the adjustment as agreed by Cabinet on 6th December 2016 to transfer capital projects to prudential borrowing funding, releasing grant to support revenue expenditure.

Place Admin and Business Support (ABS) Team - (£0.2m) Surplus

There are forecast savings against salary budgets in the Admin and Business Support (ABS) service of £0.2m.

Property - £9.0m Pressure

The structural pressure in the Property service largely relates to a forecast £7.7m shortfall in the delivery of the MTFS savings target (relating to 2015/16 and 2016/17), which broadly assumed savings in the following areas:

- Increased return on investment property holdings;
- Reduced running costs from the disposal of admin buildings;
- Reductions in facilities management costs.

There is a £600k historic pressure (since before 2012) on facilities management that mostly relates to unachievable recovery on internal trading income target for corporate waste management activities.

There is a £125k forecast pressure regarding a potential shortfall on rechargeable income for equipment use and maintenance services provided by Fleet to waste management (in turn by the Bristol Waste Company). Fleet service is actively exploring options with Waste Management team and Bristol Waste to mitigate this pressure including reductions on borrowing charge by sale of not-in-use assets under the waste contract, and seeking agreement on TUPE maintenance staff to the Bristol Waste company. It is expected that these actions if agreed would likely to reduce this revenue pressure by a half.

There is a £153k forecast overspend against the budget for National Non Domestic Rates (NNDR) due to the historic absence of budget allocated for M-shed and Junction 3 when these buildings were constructed in 2011/12 and when budgets were centralised since financial year 2014/15. Savings achieved on NNDR for buildings that the Council no longer occupy have been separately given up under savings programmes.

There is a £125k forecast shortfall in income against the budget target for Markets as a result of an historic revenue target, which has not been met for the last 5 years. This pressure had been actively managed downwards over the last few years.

There are £137k costs due to increased workload in Security/ staff sickness/ vacancies and an urgent review is in hand to mitigate this.

There is a £100k shortfall in income at the Create centre resulting from loss of external tenants due to reduced parking; a letting rationalisation is underway to mitigate this.

There is a £54k shortfall in conference services income from the Passenger shed (old station building Temple Meads) due to its poor condition, but the position is expected to improve.

Planning – (£0.3m) Surplus

In the Planning division there is a forecast surplus of £0.3m and this is largely due to increased income from Development Management fees as well as from savings plans being implemented.

Transport – (£1.2m) Surplus

There is a net surplus position in the Transport division of £1.2m in total as a result of additional income in Parking Services (£1.2m) and savings from Supported bus services (£150k), reduced by additional costs in Park and Ride services of £200k.

Other initiatives currently under review

The directorate is currently further reviewing service activities that can be stopped. The directorate is also working closely with Finance to explore options for refinancing Residential Parking Zone capital schemes, where accelerated loan payback is currently applied, and potentially extend the payback timeline of the capital borrowing to address the current and future transport related cost pressures.

14.3 Neighbourhoods – (£0.4m) Underspend

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
Neighbourhoods	324.7	(255.6)	69.1

The Neighbourhoods directorate is reporting a significant movement in its forecast position for the end of Period 7, reporting a forecast surplus of £0.4m compared to a surplus of £1.0m forecast at the end of Period 6. The main reasons for this movement are as follows, with more detail included in the paragraphs below:

- Rising demand for temporary emergency accommodation has resulted in an

increased forecast pressure in this area of £0.3m;

- Reduced income forecasts within Citizen Services relating to licensing and court summonses of £0.3m.

The £0.4m forecast surplus consists of a £0.7m surplus in Waste, a £0.3m surplus in Neighbourhoods & Communities and £0.1m surplus in Public Health General Fund, offset by pressures of £0.5m in Citizen Services and £0.2m in Housing Services General Fund.

Housing Services - £0.2m pressure

Rising demand for emergency accommodation is resulting in a £0.6m forecast overspend within Housing Options: forecast income from Housing Benefits has reduced by £0.2m since Period 6 based on revised estimates of the number of claims which may not be paid due to provision of insufficient information. This is partially offset by additional income from service and accommodation recharges (£0.3m underspend) and one-off savings on salaries and payments.

Private Housing and Accessible Homes are forecasting a £0.1m underspend due to additional income and some salary savings, which has moved by £0.2m since period 6 due to budget adjustments to take account of savings made in this service area contributing to the corporate savings programme, being £70k Better Care funding and £175k additional Licensing income.

Citizen Services: £0.5m pressure

There has been an increase in the forecast pressure during Period 7 of £0.3m, which is mainly due to reductions in income of £123k in courts summons within the service processing local taxation, and £130k in Licensing under Regulatory Services.

Revenues:

Within Revenues is a budget of £1.6m relating to court summons income. Our collection rates of council tax and business rates in cash terms have improved by over £2m this year, which has resulted in less court action for non-payment and hence a reduction in the overall summons income from courts summons fines, which is projecting a pressure of £250k for the year.

Regulatory Services:

The remaining £0.3m forecast pressure within Citizen Services relates to changes in income target assumptions within Regulatory Services, including Pest Control: £0.2m and Trading Standards: £0.1m. Measures are being made to address this have identified additional income of £150k to offset this. The remaining pressure relates to Licensing, where forecast income has reduced by £130k since period 6. Work is now being undertaken to analyse current expenditure against licensing income.

Customer Service Operations:

Underspends reported in period 6 against the Customer Service centre, Customer Service points and Translation and Interpreting service totalling £85k have been reduced to around breakeven due to increased agency costs.

Welfare Benefits Payments:

Work has recently been undertaken in this service area to better acknowledge and quantify an issue which has been developing over the last year but has until now not been reflected in the forecast, being the cost of making Housing Benefits payments for emergency accommodation, which is only covered by c.60% subsidy received from the Department of Works and pensions.

Although in previous years there was sufficient budget for this growing pressure to be contained, the increasing demand for emergency temporary accommodation is also increasing the budget pressure in this area. We are currently estimating a potential pressure of c£550k, which it is planned to be managed through a drawdown on earmarked reserves set aside for this purpose.

Waste - £0.7m Surplus

Waste Disposal is forecasting a surplus of £0.7m, mainly due to accrued expenditure from the previous year (£1.0m) which is no longer required.

Neighbourhoods & Communities - £0.3m Surplus

The forecast underspend in Neighbourhoods and Communities is made up of £0.2m surplus income from Cemeteries and Crematoria and £0.15m underspend in libraries, mainly attributable to delayed installation of self-serve machines (£60k). This is offset by overspend on Ashton Court Mansion (£89k).

Public Health General Fund - £0.1m Surplus

Savings of £0.2m have been identified due to early repayment of prudential borrowing costs on some schemes within Sports. This is partly offset by a £60k pressure on the Hengrove PFI scheme.

14.4 Resources - £3.2m Pressure

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
Resources	40.0	(14.5)	25.5

Although there have been movements in individual forecasts in Period 7, the overall forecast pressure for Resources of £3.2m remains the same for those services that remaining within the Directorate. It should be noted that Bristol Futures and elements of Policy, Strategy and Communications have moved within this period to the City Director, under the new Strategy and Policy Director that will now manage these services.

The main variance within Resources is within the ICT Service, which has been offset by savings in other areas. The overspend against budget for ICT relates to additional hardware and maintenance costs (£2.8m) and software development service increases (£1.3m) as a result of growth in additional demand for license costs. This is in part as a result of investment in new technology and digital developments. The current pressure of £3.8m remains the same as Period 6 although there was a slight reduction as shown below:

ICT – £3.8m Pressure

In Period 7, the ICT budget pressure decreased by £0.04m. This movement relates to a forecast reduction in spend on the Information Security budget.

Active mitigation

The ICT management team are working through a series of opportunities for mitigation and further cost reduction. The following actions are being taken:

Review of Agency Spend:

A full review is underway, particularly targeting ICT Delivery, to reduce agency spend. This is looking at overall use of contractors/agency and particularly focussing on those contractors/agency staff who have been in post longer than 13 weeks. These arrangements are being ceased and ICT Delivery will be transitioning to a service delivery model that does not incur contingent workforce fees where they are not absolutely required.

Further, any ongoing and future Agency spend will be directed through Guidant with remaining off-contract arrangements being ceased. This will relieve both in-year pressure and transfer through into 2017/18.

ICT Strategy Review:

An ICT Strategy is currently being developed that will set out our approach to the nature, type and size of our ICT estate including how we will provide and/or commission those services and associated support. This will enable a more focused set of design principles that can be applied to the review of existing ICT estate costs and future investment decisions.

Risks identified

The following is a summary of risks that have been identified to the current budget position within ICT. The high level detail is given here. It is important to note that, at this point in time, if these items were to occur they would result in expenditure from reserves or contingencies.

- Unexpected business demand, such as a result of an Ofsted, or other regulatory body, inspection. (For example requiring issue of laptops, tablets);
- Any remedial actions that may be required to achieve compliance with connection standards, e.g. Public Service Network (PSN);
- Remedial actions in event of serious cyber or other event, (e.g. ransomware), resulting in loss of data/access to key BCC systems and data; actions in event of serious incident or natural event, (e.g. terror attack/fire/flood), resulting in loss of hardware and subsequent replacement costs;
- Information Commissioners fine in case of Data Breach or Loss (may not be an ICT related loss, i.e. may be loss of case papers) and remedial actions in event of Data Breach or Loss;
- Remedial actions in event of major supplier commercial failure.

Human Resources – £0.6m Surplus

Human Resources continue to report a forecast £0.6m underspend. This mainly relates to £485k savings within transactional HR relating to ongoing and potential unfilled vacancies and additional savings released within this service area. A further £60k underspend within Redeployment is offset by a pressure incurred through the cost of additional senior capacity from September to March to ensure continuity when the current Service Director leaves.

HR Risks identified:

- Unfilled vacancies plus staff leaving through VS will deliver savings but may increase workplace pressures and the ability of the service to respond to organisational requirement during a period of significant workforce change;
- The income target through the Annual Leave top up scheme is dependent on staff take-up across the organisation and this may not be possible as staffing levels will be lower post-restructure. This may mean that the income target is not realised. Also, staff leaving on VS who are in the scheme will cause loss of income in the current year.

Legal Services – £0.1m Surplus

The underspend of £30k reported for Legal Services at Period 6 has now increased to £63k, which is a £33k improvement due to minor variances across Legal Services. Expenditure can be volatile though and the risks are highlighted below:

Risks Identified (including Legal Services, Electoral Services, Mortuary & Coroner, & Register Office):

- demand led and cannot predict its spend – high cost/profile cases could happen at any time;
- there may be an increase in an area of work through e.g. court rulings or practice;
- Income is more predictable over the short term as clients are known, but will fluctuate over the longer term with changes in external clients as work and projects come to an end and new work will need to be identified;
- There may be a parliamentary election in 2017 or other smaller elections and referenda, which are not currently included in the 4 year budget predictions and which would have budget implications;
- Legislative changes, such as the introduction of medical examiners, could cause significant budget pressures;
- Increases in the number of deaths due to widespread fatalities that could not be predicted;
- Births and deaths registration are reactive services and cannot be completely estimated.

Finance – On budget

Finance continue to review spend on the service budget to minimise the outturn forecast spend. Expenditure is being maintained within budget by holding a number of vacancies within the service (full time equivalents FTE's at the beginning of the financial year was 110 and is now being maintained at 97.5 through holding vacancies and VS) and stopping non-essential expenditure against non-staffing budgets.

As previously reported though, the Finance Transformation work must continue and although there are no decisions required of cabinet, it is important to note that the finance transformation plan will require funding from the service earmarked reserve.

Risks identified

- Unfilled vacancies plus staff leaving through Voluntary Severance will deliver savings but may increase workplace pressures and the ability of the service to respond to organisational requirement during a period of significant workforce change;
- Under resourcing finance can lead to a risk of not meeting the requirements of the role of S151 officer;
- Income targets for future years are dependent on effective bidding and provision of a value for money service offer. There is a risk associated with the income from third parties for future years as a contract is due for renewal at the end of 2017/18.

14.5 City Director - £0.3m Surplus

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
City Director	10.7	(3.9)	6.8

Bristol Futures and Policy have moved from Resources to the City Directorate in this period, under the new Strategy and Policy Director post. As a result, City Directorate is forecasting a surplus of £0.3m.

Policy, Strategy and Communications (PSC) - £0.3m Surplus

During this period, there has been a forecast increase in costs of £275k for the Devolution programme in 2016/17. The total forecast pressure to the Council for this programme is now £300k above the £250k agreed as part of the budget report (to be drawdown from reserves). This is largely driven by an increasing need to back fill posts across almost all directorates and create more capacity to deliver the current deal and develop future deals. It is proposed that this pressure will be funded from the Innovation Fund.

Within the rest of Policy and Planning there are a number of staff vacancies across the services that contribute to the current forecast underspend, which will be reviewed as part of the forward planning / restructure of the service.

Bristol Futures - £0.2m Surplus

Bristol Futures has moved under the new strategy and Policy Director in Period 7 and is currently under review. The service is currently forecasting a £202k underspend as at P7. This underspend has increased by £54k from P6. Fixed term external funding is being used to reduce staff costs. Further savings have been made across the budgets by reducing operational activity and commissioning. For future Periods further reductions in costs will be seen from significantly reducing the management costs through removal of the Service Director post and one of the three Service Manager posts. In addition voluntary severance and vacancy management has reduced staffing levels significantly.

Use of Reserves

As at Period 6 the forecast draw down of reserves for Future City Demonstrator costs in 2016/17 was £1.1m. For Period 7 this has been revised down to £0.6m due to delays

in the Open platform work. The forecast spend in future years has been re-profiled over 3 years as per below:

Period 7 Forecast Drawdown required £m	Planned Spend 2017/18 £m	Planned Spend 2018/19 £m	Total Planned Spend £m
0.6	1.3	0.3	2.2

Management - £0.2m Pressure

The pressure in the Management cost centres has previously been reported and relates to employee costs partly offset by a small amount of income (£24k) for charges to other companies.

14.6 Corporate Savings Programme - £10.5m Pressure

The current forecast pressure of £10.5m is a reduction of £5.3m since reported at Period 6. This movement reflects the Council's adoption of the new flexibilities for the use of Capital Receipts to fund transformational activity, as approved by Full Council on 13th December 2016. Forecast capital receipts for 2016/17 are £5.3m.

It is expected that the forecast position may fluctuate during the next few months as planned restructures are agreed and implemented.

At the beginning of the financial year, the Council had a savings target against the Change Programme of £34.7m, which comprised £15.2m undelivered savings from 2015/16 and £19.5m relating to 2016/17. For the purposes of this report, we have shown a net figure. The following table provides estimates of the forecast savings delivery as at end Period 7 (October 2016).

Table 3: Summary of Net Corporate Savings Programme Budget Position

	£m
2016/17 Change Programme Savings	19.5
2015/16 Undelivered change programme savings	15.2
TOTAL	34.7
Less:	
Savings Identified/Secured to address the gap	(14.1)
Release of Contingency	(6.3)
TOTAL TO BE IDENTIFIED	14.3
Overspend against change programme expenditure	1.5
Less: Use of forecast capital receipts to fund transformation activity	(5.3)
TOTAL CHANGE PROGRAMME	10.5

The Council has initiated a Council Wide programme of activities and work streams to specifically focus on delivering the savings needed in the current financial year. This has included:

- A review of all spend against corporate budget lines resulting in reduced budgets across areas such as staff expenses, conference and training budgets, printing etc.;
- A review of all vacancies to delete any vacant posts that are no longer required, resulting in budget reductions;
- All services and directorates developing and preparing savings proposals for delivery through the remainder of this financial year;
- A contingency was included in the original programme to mitigate against risks of non-delivery of savings or savings double counts. This has been released;
- A review is underway of all the Council's service directorate earmarked reserves;
- In period 8, a further assessment of the risk to delivery is being undertaken, the outcome will be reported in the Period 8 Report.

As savings are validated, budgets across services and directorates are being reduced to secure these savings. During Period 7, the value of savings identified to be delivered increased which was offset by an element of savings previously identified now not deliverable, and this is reflected in the forecast above.

Within this budget line, there is investment required to facilitate the delivery of some of the savings. There is a current forecast overspend of £1.5 m against these items, which includes the delivery of IT solutions. As part of the current programme of activity and to mitigate this overspend, all current planned expenditure is subject to review.

The reported pressure in this area mainly relates to savings yet to be identified.

14.7 Other / Corporate Budgets – (£12.8m) Underspend

The forecast underspend in Period 7 has increased to £12.8m. The main budget in this area is the capital financing budget of £19.3m. It is currently forecast that this budget will be underspent by £4.1m as a result of re-profiling of the capital programme. In addition, a further adjustment to the forecast of £4.3m has been made further to the amendment to the MRP Policy (agreed at Full Council on 13th December 2016). This area also includes certain contingency budgets and other expenditure budgets of a corporate nature, including expenditure on levies.

The Council receives S31 grant each year to cover various business rate reliefs. The budget for this financial year was assumed to be £1.0m. Current forecasts indicate this is likely to be £3.0m in this financial year, which is £2.0m above the budgeted amount. This is reflected in the forecast for Other / Corporate Budgets.

Included within the forecast is income from the Port Dividend of £2m. We have now been informed that the actual income will be c£2.6m. The updated forecast will be reflected in the Period 8 Report.

The general contingency included in other budgets stands at £2.8m. This is held as a contingency to cover miscellaneous cost pressures across all service areas. As previously reported, to date £0.8m has been set aside to cover the forecast cost of

workforce court ruling and support to the Children's Service as part of the Ofsted Improvement Plan.

Therefore, the remaining contingency is reduced to £2.0m and it is assumed that this will be required by the end of the financial year. As reported in the Period 6 report, additional pressures have been identified that will require a call on the corporate contingency, and these are summarised below. This includes the costs associated with the Corporate ERP system, as detailed in paragraph 36.

Table 4: Summary of General Contingency

	£m
Period 6 Available Contingency Balance	2.0
Corporate ERP Project (see paragraph 36)	(0.3)
Period 7 Contingency Closing Balance	1.7

Dedicated Schools' Grant (DSG) - £4.6m Forecast Deficit

15. In 2016/17, the Council will receive £175m Dedicated Schools' Grant, which is ring-fenced and passported through to fund schools. Schools that have transferred to academy status receive their funding directly from the Department of Education – this amounts to a further £137.9m.
16. There continues to be pressures against the high needs block, which is forecast to be c£4.6m in the financial year, which includes brought forward pressures from 2015/16 of £1.9m. A further £1.6m was requested from schools in the recent panels to meet the needs of children. The panels applied a thorough challenge process, including peer reviews, and managed to reduce this additional pressure by £600k.
17. The service is undertaking significant level of work in conjunction with the Schools Forum in order to manage this budget:
 - a) In April the top up rates were reviewed and reduced across mainstream schools which has been followed by a further reduction in September, generating a total annual saving of £2.1m
 - b) an inclusion panel has been created with the aim of reducing pupil exclusions – as a result there have only been two secondary exclusions in term 1 compared to seventeen in the same period in the previous academic year;
 - c) special school and Pupil referral unit budgets have also been reviewed, top up and site specific rates have been cut by 5% which will generate an annual saving of £600k, further work is planned to continue review of special schools and also resource bases.
18. Any deficit on the DSG at the year-end would need to be carried forward - thereby creating a further pressure for the DSG next year, though this would not impact on the Council's general fund budget.

Public Health

19. The ring-fenced Public Health service is currently forecasting an overspend of £1.8m.

This is mainly due to a government in year cut of the grant of 7.6% in year during 2015/16 and further 2% cut to the grant this year. As a reduction in the grant was anticipated, Public Health are managing this overspend to prevent impact on service delivery through the Public Health reserves built up for this purpose. The reserve currently has a balance of £4.8m and is as a result of underspends in previous years. This will be reduced by the £1.8m to £3m, assuming the level of forecast overspend remains the same. Therefore, there is no impact on the general fund of this overspend in this financial year. However the service is currently undertaking a thorough financial review to ensure that delivery is brought within the new budget envelope, reflecting key priorities.

Housing Revenue Account (HRA)

20. The following is a summary of the HRA budget position as at the end of Period 7. Further detail is included as part of Appendix A to the report.

Table 5: Housing Revenue Account Budget Forecast

HOUSING REVENUE ACCOUNT - Period 7	Gross Exp £m	Gross Income £m	Revised Net Budget £m	Forecast Outturn £m	Forecast Outturn Variance £m	Period 6 Forecast Outturn Variance £m
Strategy, Planning & Governance	24.7	-131.3	-106.6	-107.5	-0.8	-0.7
Responsive Repairs	47.4	-17.4	30.0	30.6	0.5	0.5
Planned Programmes	18.0	-1.3	16.7	14.5	-2.2	-2.1
Estate Management	16.2	-2.1	14.2	14.0	-0.2	-0.2
HRA Financing & Funding	44.7	1.0	45.7	45.7	0.0	0.0
HOUSING REVENUE ACCOUNT TOTAL	151.0	-151.0	0.0	-2.7	-2.7	-2.5

21. There is currently a forecast underspend within the HRA of £2.7m. This is the result of the following:

- Savings released in Strategy, Planning and Governance through employee reductions and review of training and stationery budgets;
- There are pressures in responsive repairs due to greater than budgeted relets (£0.5m).
- The Investment Review Plan (in response to imposed rent reductions planned for the HRA) has changed the paint programme in planned programmes resulting in a saving against budget; Contractor issues has also lead to some delays, resulting in £0.7m underspend. A housing procurement specialist is being recruited who when in post, should significantly reduce the risk of procurement delays and enhance contract management generally.

22. Any under or overspend at the year-end will increase or decrease the HRA Reserve and therefore this does not impact on the General Fund. However, the impact of the 1% rent reduction and other proposed government changes mean that the current HRA

Business Plan is not sustainable in the long term. The Business Plan is being re-calibrated to reflect what is a very financially challenging future.

B - Managing Savings

23. To ensure that there is transparency and clarity in relation to the source of savings (from which department and service area from which the saving is to be delivered) and avoid any possible double counting etc, we are monitoring savings using a single savings tracker. This will be reported under each directorate and will be risk assessed for full delivery within the planned timescales.
24. Due to the severity of the forecast outturn variance (potential deficit of £17.5m), the Interim Chief Executive, supported by the Service Director: Finance (s.151 Officer), have put in train a number of actions as outlined (with current progress) in paragraph 11.

C - Reserves

25. The balance on the general reserve will be reviewed annually in setting the budget and in the context of the MTFS and the risks to which the Council is exposed. The balance on the General Reserve is £20m and at present the Interim Chief Executive and Service Director: Finance (s.151 officer) are taking all appropriate actions to avoid any utilisation in 2016/17. This will be kept under constant review.
26. At the start of the financial year the Council had general fund earmarked reserves of £106m. Some of these reserves will be spent during this financial year and others will be earmarked for specific purposes with spend to be incurred in future years.
27. A review of all existing earmarked reserves is being progressed and where reserves are identified as no longer required for the purpose that they were earmarked, they will be released to the Operational Reserve and made available to mitigate the financial pressures in this financial year. A total of £2.4m has so far been identified that could be released from reserves and this has been included in the forecast reported in Table 2.
28. In addition, as already summarised in paragraph 11, the Council is reviewing a range of technical accounting items. In the Period 6 report, this identified the new flexibilities to use capital receipts to fund transformation activities, with a report to Full Council on 13th December 2016. The impact of this has been reflected in the forecasts.

D - Capital Programme

29. The capital programme changes during the year as the phasing of schemes is

reviewed and the notifications of additional schemes and resourcing are received (to the extent that these projects are fully funded). The Capital Board (an officer working group) oversees the coordination of the Capital Programme, ensuring that projects are delivered within their allocation of funding and planned timescales. As at the end of Period 7 there is a forecast overspend of £3.1m. Monitoring indicates that capital spending in 2016/17 will be £225.9m compared to the latest approved budget of £222.8m.

30. The following table sets out the forecast of spend by Directorate. Additional detail is provided at Appendix B. Proposed changes to the capital programme of £1.6m, presented to Cabinet on 6th December 2016 are now reflected in the budget summarised below.

Table 6: Capital Programme Forecast Expenditure & Financing

	Period 6 2016/17 Budget	Capital Budget Adjustments	Period 7 2016/17 Combined Budget	2016/17 Forecast Outturn	2016/17 Forecast Outturn Variance	2016/17 Actual Spend to Date
	£m	£m	£m	£m	£m	£m
People	39.2	1.6	40.8	42.3	1.5	13.2
Place	87.3		87.3	88.4	1.1	30.3
Neighbourhoods	9.8		9.8	9.0	(0.8)	2.8
Resources	18.7		18.7	18.7	0.0	7.7
Housing Revenue Account	56.0		56.0	57.3	1.3	26.3
Corporate	10.2		10.2	10.2	0.0	7.3
Totals	221.2	1.6	222.8	225.9	3.1	87.6
Finance By:						
Prudential Borrowing			80.2	80.1	(0.1)	
Capital Grants			67.7	69.3	1.6	
Capital Receipts *			5.0	5.3	0.3	
Revenue Contributions			13.9	13.9	0.0	
Housing Revenue Account (Self-Financing)			56.0	57.3	1.3	
TOTAL CAPITAL FINANCING			222.8	225.9	3.1	

* The amount included against capital receipts will transfer to Prudential Borrowing, as the capital receipts will be used to fund transformation activity expenditure within the general revenue fund.

31. The actual capital spend to the end of Period 7 is £87.6m (39% of Combined Budget). Whilst historic trends indicate that capital spending increases towards the end of the financial year, the level of forecast spend to date (31st October 2016) is low compared to the current budget for the financial year. Projected spend to the year end, based on a pro-rata basis, would be £150.2m or 67% of the current budget.
32. As at the end of October 2016, there is a forecast net overspend against the Capital Programme of £3.1m, against an overspend of £2.4m at the end of Period 6. The following is a summary of the significant areas where budget pressures have been

identified:

32.1 Housing Revenue Account – £1.3m Pressure

There are projected overspends (£4.3m) in “Investment in Blocks” projects due to works showing greater than expected costs and slippage from previous. These have been offset by reducing expenditure and delaying projects in some areas, including on low rise cladding and laundries (£4.9m). Land enabling works also forecasting £2.3m overspend due to work delayed in 15/16. This is offset by savings from recruitment freeze and schemes put on hold.

The movement since Period 6 is due to some upward revision of cost estimates, offset by reduced spend on low rise cladding work and cavity wall and insulation works.

The overspend in this area will be funded from the Housing Revenue Account.

32.2 People Directorate Services - £1.5m Pressure

The main areas of spending pressure are related to the Education Capital Programme and also the transformation programme in Care Management. Managers have been closely monitoring the actual and forecast expenditure against the revised budget, with further work ongoing to review budget profiles and project spend across the life of the projects.

32.3 – Place Directorate Services – £1.1m Pressure

Following the re-phasing of Budget in Period 5 which has seen circa £54m 2016/17 expenditure re-profiled into future years, there are no significant forecast variances in the current financial year. There is an in-year spending pressure against Major Transport Projects, with underspends being reported against the Energy Services Programme. Managers have been closely monitoring the actual and forecast expenditure against the revised budget, and it is expected that the outturn position will be within 1% variation from budget. However, further works are required for budget re-profiling under Transport and Energy through the Corporate Capital Programme Board.

It has been acknowledged that the first 7 months actual capital expenditure still falls short of the amount pro-rated for this time of the year, however, past performance suggests that expenditure is back loaded towards the end of the financial year. Place managers are actively reviewing the position of expenditure forecast in Period 8, assessing further risks of slippage and adjusting the accuracy of the forecast accordingly.

Corporate ERP Project

33. A project to deliver an integrated employee resource application to update the finance system and replace HR and Payroll systems, commenced in December 2014. To date we have upgraded the finance system, introduced new e-recruitment and performance management systems but have been unable to go live with the HR and Payroll system. We have commissioned a review to gain an independent perspective of the issues and challenges, the outcome of which will inform a wider transformation programme. Whilst this review is underway we continue to have discussions with the external supplier and systems integrator.
34. A further upgrade of the finance system has been completed to avoid the risk of it becoming unsupported and we have extended the contract for the current HR and Payroll systems. This will incur additional expenditure above that which was originally forecast. The estimated cost of this is c£245k for the extension of licences on the legacy HR & Payroll system and will require funding through the corporate contingency, and is reflected in Table 4.

Capital Receipts

35. The assumed level of Capital Receipts to support the general fund element of the Capital Programme (excluding HRA) is £5m pa. The current disposal programme estimates general fund receipts of £5.3m for 2016/17, plus risk adjusted deliveries of £6.6m for £2017/18 and £8.4m for 2018/19.
36. The following provides a summary of the assets in scope for delivery and the current risk assessed receipts in that year:

Table 7: Forecast Capital Receipts

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
All In-scope Assets Delivery	8.6	9.5	21.1	4.3	2.0	45.4
Base Case Forecast Delivery	5.3	6.6	8.4	6.5	6.3	33.1

Capital Financing

37. The capital financing assumptions are detailed in Table 6 above. As part of the overall review of the capital programme already referred to, the capital financing assumptions and the future revenue implications will be kept under review. However, with a programme of this size, it is unlikely that there will be future underspends on the capital financing budget, and therefore the contribution being made towards the 2016/17 forecast outturn variance should be assumed to be a one-off position.
38. The current capital financing assumptions include capital receipts of £5.3m. As outlined in paragraph 28 above, officers have reviewed the new flexibilities to use

capital receipts to fund transformational activities. This will mean that these receipts will no longer be available in 2016/17 to finance this proportion of the Capital Programme. However, estimated capital receipts in 2017/18 and 2018/19 are higher than budgeted and will therefore be available to offset this, subject to future funding decisions.

39. Included in the General Revenue Fund is a capital financing budget of £19.3m, which is currently forecasting an underspend of £4.1m, due to previous re-profiling of the capital programme. As part of the capital financing calculation is a Minimum Revenue Provision (MRP), which is the minimum amount that the local authority should set aside to repay future debt. The Council's current MRP policy has been reviewed to assess if a more financially efficient policy could be adopted. A report outlining the outcomes of this review, with appropriate recommendations was presented to full council for consideration on 13th December 2016. The forecast costs of capital financing in 2016/17 have been updated to incorporate this change.

E – Managing Income

40. Collection rates for both business rates and council tax are broadly on target. However, an increase has been noticed in the Council Tax Base and this will be reflected in the budget for 2017/18. A report on the Collection Fund will be presented to Cabinet on 10th January 2017. However, the position on business rates can be significantly affected by successful appeals, as the Council could have to refund several years' backdated payments from a single year's income. Officers are closely monitoring business rates appeals applications. The Council has received applications from a number of health care trusts for mandatory charitable rates relief. In line with advice from the Local Government Association, all claims have been rejected and, to date, no counter applications have been made. The trusts are continuing to pay their business rates. The Council is also aware of an application from a telecommunications company to have their telecommunication network transferred from the local rating list to the central list, with a potential for a backdated refund. Officers are in contact with the Valuation Office but currently very little information is available to the Council as Billing Authority.
41. As well as Council Tax and Business Rates, the Council also raises and collects sundry income, which includes contributions for social care services. Table 8 provides a summary of the outstanding debt against sundry income, by directorate, with a more detailed analysis included as Appendix C.
42. The council currently has a total of £36.7m (£31.1m at Period 6) outstanding debts. Of the £36.7m outstanding debt included in Table 8, the top 20 customer debts, ranging from £140k to £9.5m, amounts to £19.5m of the debt or 53% (33% at Period 6) of the total outstanding debt. This is mainly as a result of a number of single large debts being raised in this period.
43. At the end of each financial year, the Council is required to calculate a bad debt provision based on its level of outstanding debt. The amount of provision required is

dependent on the age of the debt, with all debt over 2 years, being 100% provided for. The current bad debt provision (as at 31st March 2016) is £11.8m. Based on the current level of debt in table 8, if no further action is taken, the required bad debt provision is estimated to be £15.8m. Single, large debts can have a disproportionate impact on the provision required. However, action will continue to be taken between now and the end of the financial year to ensure that the value of outstanding debt is reduced.

Table 8 – Outstanding Debt Analysis by Directorate

Directorate	Outstanding Value £000's	Average Value £
People	23,989	2,381
Resources	432	757
Neighbourhoods	4,003	344
Place	4,396	1,370
City Director	31	7,873
Corporate & Other	3,914	385
TOTALS	36,765	1,031

F - Treasury Management

44. No borrowing has been undertaken to date during 2016/17. Net debt (borrowing less investment) has increased marginally by £4.7m between the 30th September to 31st October from £279m to £284m.
45. The average level of funds available for investment purposes during the first seven months of the year was £167m. The return for the period was 0.59% compared to the recognised benchmark of 0.26% (7 day Libid average for period).
46. The 2016–2019 Treasury Strategy identified a medium term borrowing requirement of £150m to support the existing and future Capital Programme. The Council's agreed policy is to defer borrowing while it has significant levels of cash balances (£130m at October 2016, £70m estimated for March 2017). The authority is planning on borrowing £20m during the year at a preferential rate from the PWLB that expires on the 31st March for the Bristol Temple Meads East Regeneration (Arena) scheme with the net financing costs contained within the existing capital financing budget. No further borrowing is anticipated in the current financial year unless rates are expected to rise significantly from their current position to enable the authority to reduce its exposure to interest rate risk.
47. The Council has complied with all treasury management legislative and regulatory requirements during the period and all transactions were in accordance with the approved Treasury Management Strategy

G – Bristol City Council Owned Companies

48. To the end of Period 7 2016/17, no additional loans / investments have been made to the Council's Subsidiaries. The amount of loans / investments as at the 31st October 2016 is set out below:

Bristol Holding Company - £9.5m

Bristol is Open - £350k

Since the 31st October 2016, Bristol Holding Company has received further investments of £2.893m bringing the total investments to £12.4m

Overall Risk Assessment

49. In the Budget Report presented to Full Council in February 2016, a number of significant risks were identified. The finance reports this year have identified that a significant number of these risks have come to fruition in the early part of the financial year, or remain relevant. The list below highlights the most significant of these risks:

- the scale of overall reductions to all directorate budgets (£35.4m identified and included in the approved budget) and the potential of non-delivery of these savings;
- the potential of overspends against budgeted net expenditure;
- Care placements & budgets, both in terms of activity as a result of demographic pressures and also unit costs;
- Potential delay in delivery of capital receipts;
- Increase in pension liabilities;
- volatility in business rate income including the level of successful appeals, the result of the application for mandatory charitable relief made by a number of hospital trusts and the transfer of properties between rating lists. Once these changes are made the Council may have to refund several years back dated rates from a single years income.

As well as the risks highlighted above, the following additional risks have been identified:

- wholly owned company delivery of agreed business plans;
- Sustainability of Council owned and managed assets, including infrastructure previously identified, property, fleet and ICT.
- Schools PFI contracts;
- Living Wage Accreditation – this will require a full review of all external contracts and may result in additional contractual costs;
- inflationary pressure on contract and energy costs;
- increased capital costs of major projects, i.e. Metrobus, the delivery of the Arena and Bristol Temple Meads Easts (development area around the arena);
- Current lack of policy clarity on proposed changes to business rate retention;
- The effect of Brexit both on house building industry and general economic confidence;
- There will be other costs, such as the Mayoral Combined Authority, still to be fully quantified;

Any risk assessment requires constant review and will form part of the ongoing future monitoring.

Consultation and scrutiny input:**a. Internal consultation:**

Strategic Directors, Service Directors and the finance team.

b. External consultation:

Not applicable

Other options considered:

No other options are considered at the present time.

Public sector equality duties:

There are no proposals in this report which require either a statement as to the relevance of public sector equality duties or an Equalities Impact Assessment.

Environmental checklist / eco impact assessment

Not applicable.

Resource and legal implications:***Finance*****a. Financial (revenue) implications – Service Director - Finance:**

As set out in the Report, the Council is currently forecasting an overspend based on service spending from April to October and service projections for the remainder of the year, offset by savings in other corporate budgets. Failure to take action to contain spending within budget and to manage and monitor expenditure and income could result in a requirement to draw on reserves. The level of reserves is limited and a one off resource that cannot be used as a long term sustainable strategy for financial stability. Budget monitoring and management, of which this report forms part of the control environment, is a mitigating process to ensure early identification of pressures and action plans.

Budget risks and pressures have been identified, as outlined above, and are currently being managed and closely monitored. Due to the severity of the forecast outturn variance (potential deficit of £17.5m), the Interim Chief Executive, supported by the Service Director: Finance (s.151 Officer), have put in train a number of actions as outlined in paragraph 13. This report provides an update against these and includes actions that can and have been taken (subject to approval), which will help to mitigate the current forecast outturn deficit, as summarised in Table 1.

Finance staff resources have been targeted to ensure that support for budget monitoring is concentrated on areas of particularly high risk.

b. Financial (capital) implications:

Set out within the report.

c. Legal implications:

No significant legal issues are raised by the report. The recommendations are in accordance with the Council's constitution and financial regulations.

Advice given by Shahzia Daya: Service Director Legal Services
Date: 1st November 2016

d. Land / property implications:

Relevant property implications have been included within the body of the report.

Advice given by Robert Orrett – Service Director Property
Date: 5th October 2016

e. Human resources implications:

In line with the financial position and the mitigating actions set out in this paper (paragraph 13) a Section 188 notice was issued in August 2016. The s188 notice provided formal notification to Trade Unions that the scale of the potential workforce reduction is estimated to be up to 975 employees by 31 March 2017.

As previously reported, an initial voluntary severance opportunity was implemented through to the end of September 2016. Following responses to applications that have approved severance for 303 employees to date, further actions to close the budget gap are now being implemented. This includes the actions taken to further extend the Council's spending freeze on non-essential spending, including the recruitment of agency and permanent staff. While further review of service designs are likely to result in redundancies we are seeking to avoid compulsory redundancies wherever possible.

Full consultation with Trade Unions is being undertaken throughout the period of organisation change and restructure and we will seek to reach agreement with the recognised Trade Unions on how to mitigate the need to make any further compulsory redundancies.

If, after meaningful consultation and after mitigating actions have taken place, compulsory redundancies are unavoidable, employees will be given notice of dismissal in accordance with the Council's agreed policies.

Advice given by Richard Billingham – Service Director HR, Change & Communications
Date: 2nd December 2016