APPENDIX A

Background

1. The Report provides information and analysis on the Council's financial performance and use of resources to the end of Period 9 of 2016/17. Council set its budget for 2016/17 on 16th February 2016 and this 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 £11.0m forecast outturn deficit before further mitigating actions or use of general reserves. This represents a net decrease to the deficit of £6.6m, being increases of £0.8m less decreases of £7.4m, from the Period 7 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.

3. The movement in the deficit arises mainly from reduced expenditure forecasts across service areas, in particular within the Place Directorate, which are detailed in section 13 of the report.

4. 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 continues its freeze on non-essential spends. 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.

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. The impact of the freeze in reducing the council's actual and forecasted 2016/17 expenditure as at Period 9 is reflected in this report.

7. Future reports will include further recommendations on mitigating actions, where required.

A - Revenue Expenditure

8. The Council's overall annual revenue spend is managed across a number of areas:

a. The General Fund with a net budget of £345.4m, providing revenue funding for the majority of the Council's services;
b. 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;
c. 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;
d. 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 1 below 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 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	Item closed following update in Period 7 Report	
2. Voluntary Severance Programme	Programme complete and item closed following update in Period 7 Report	
3. Technical Accounting Adjustments	• Review of Reserves – items closed • Use Capital Receipts – closed following report to Full Council • Review of MRP Policy – closed following report to Full Council; • MRP overprovision – this is incorporated into the 2017/18 budget report as part of the Treasury Management Strategy • VAT Report – external report is still outstanding, but potential savings are likely to be minimal.	• MRP Overprovision – subject to approval should generate additional resources to supplement Council Reserves from 2017/18.
4. Capital Disposals Programme	Specific action now closed following update in Period 7 report.	

Item	Action Taken	Potential Financial Impact
5. Reduction in non-essential expenditure	As reported above, the Council continues its spending freeze on non-essential expenditure (see para 5 to 6).	• There has been a reduction in the forecasted outturn in a number of service areas; and the impact will continue to be monitored in future reports.
6. Review of Income	All Service Directors have been tasked with reviewing sources of income and reviewing inflation assumptions on fees and charges.	Recommendations for increases to fees and charges are incorporated in propositions underpinning the 2017/18 budget
7. Review of agency spend	Item closed following update in Period 7 Report	
8. Budget Review Meetings	Item closed	

12. The following forecasts are based on actual expenditure to the end of December 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 £11.0m represents 3.1% 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 Annex 1A, with directorate details provided at Annex 1B to 1G. Budgets are profiled equally across the year, but spending profiles may be different.

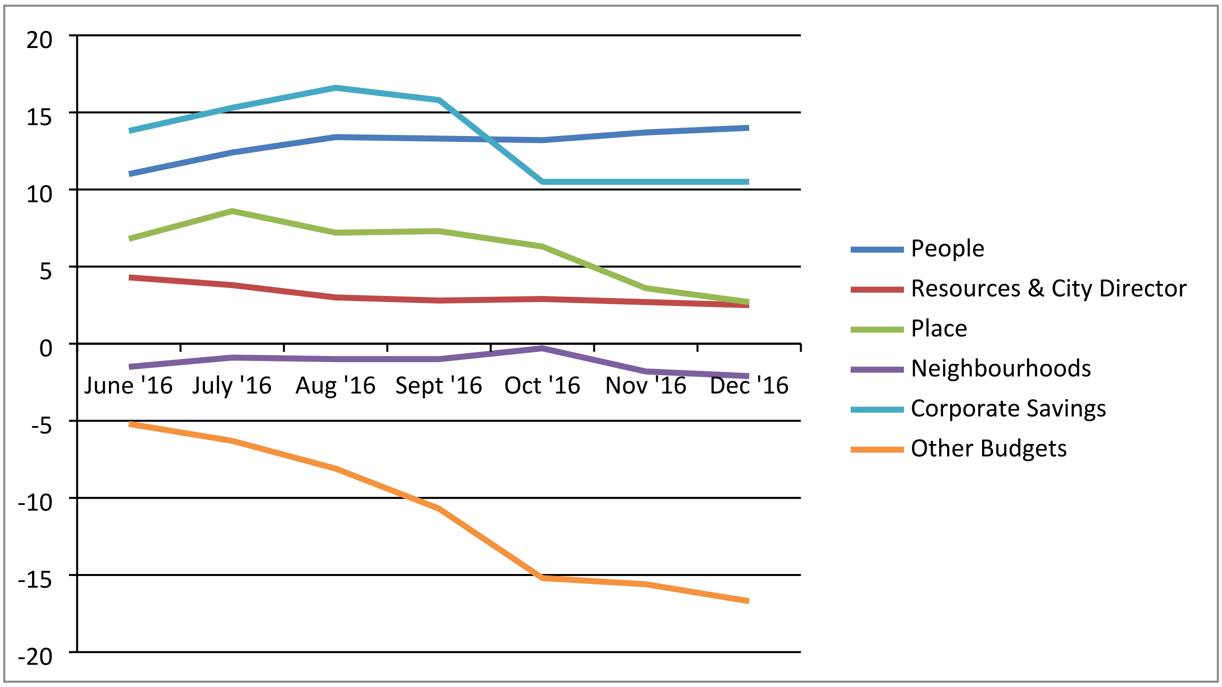
Table 1: General Fund Forecast Net Expenditure

General Fund Revenue Budgets - Period 9 Directorate	Net Budget £m	Forecasst Outturn £m	Forecast Outturn Variance (Under)/Over Spend £m	Forecast Outturn Variance at Period 7 £m	
People	206.1	220.1	14.0	13.2	↑
Place	17.2	20.0	2.8	6.3	↓
Neighbourhoods	69.1	67.0	-2.1	-0.4	↓
Resources	25.6	28.5	2.8	3.1	↓
City Director	6.9	6.6	-0.3	-0.4	↓
Corporate Savings Programme (Net Budget)	-8.7	1.8	10.5	10.5	
SUB TOTAL – SPENDING ON SERVICES	**316.2**	**343.9**	**27.7**	**32.7**	↓
Other Budgets *	29.6	15.3	-14.3	-13.4	↓
Released from Reserves	0.0	-2.4	-2.4	-2.4	
TOTAL	**345.8**	**356.8**	**11.0**	**16.9**	↓

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

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



13.1 People Directorate - £14.0m Forecast Overspend

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 £14.0m 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.

Care & Support Adults - £7.1m Forecast Overspend
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. Care packages for these people are provided based on eligibility identified in a statutory assessment of need and income.

The very significant work being undertaken to commission services differently is vital in supporting the delivery of a balanced budget. A better, more productive relationship with the local care market is envisaged. Recommissioning of Home Care, Residential and Nursing Care and Community Support Services are seen as key to ensuring we have services which deliver value for money, increased quality and better outcomes for service users and carers.

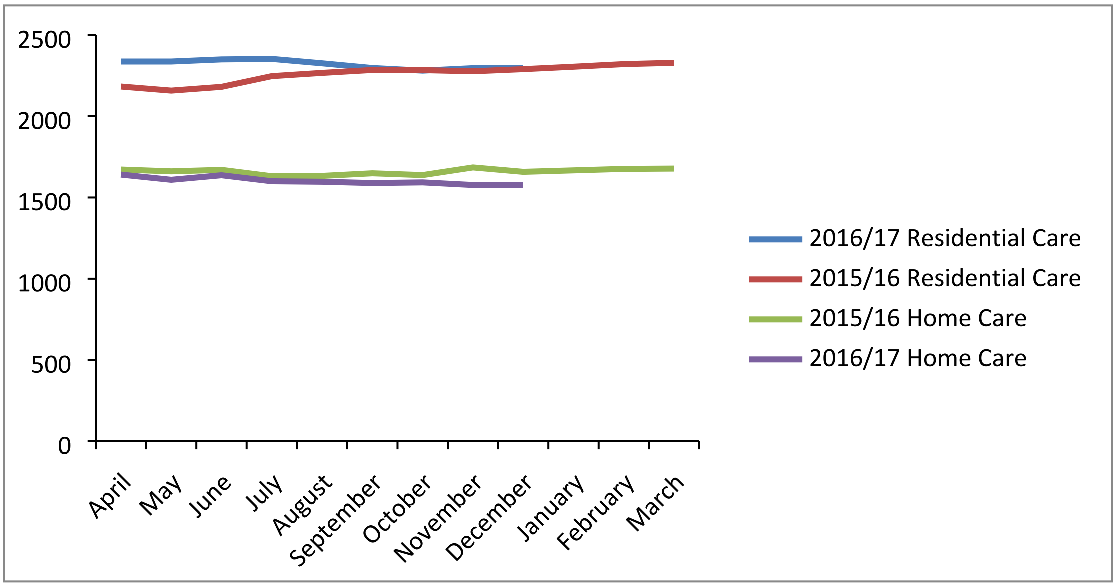
There is also on-going work to manage demand through implementation of the three tier model of support to help people live more independently where appropriate delaying or avoiding the need for high cost care.

There is significant overspend on care packages, this is shown by a £10.9m overspend on Third Party Payments which is due to £7.6m overspend on residential and nursing placements, £3m overspend on Community Support Services, and £0.7m on Home Care. There is also a £3.4m overspend on Direct Payments to fund care placements due to additional demand.

Some of this overspend if offset by increased contribution from NHS towards users with long term mental health conditions (£1.0m) and an increase in level of contributions from service users in line with increases in demand (£2.6m)

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

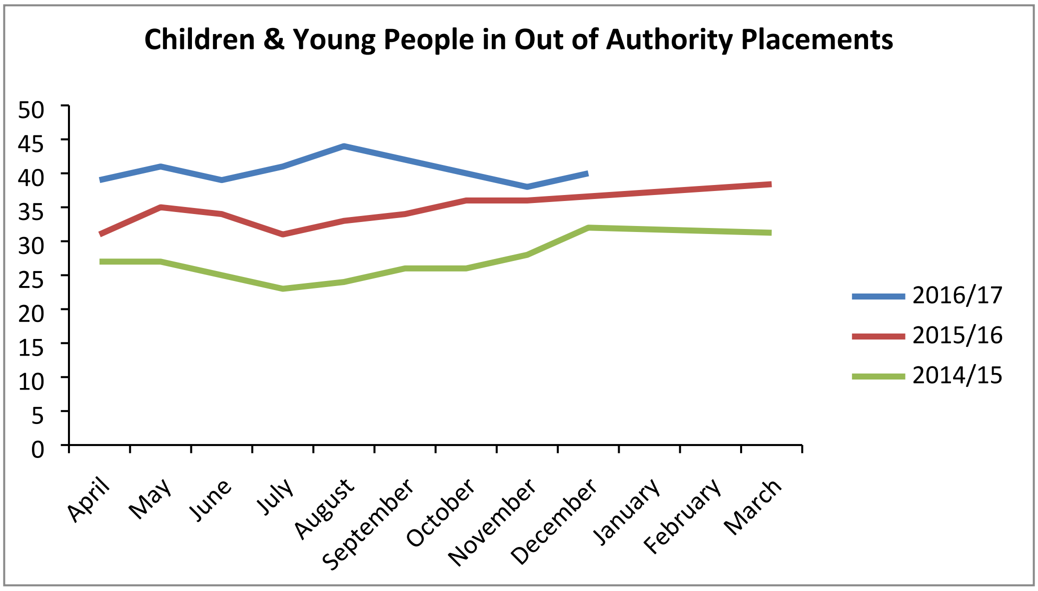
Chart 2: Trend in Monthly Residential and Home Care Activity



Care & Support Children and Families - £3.5m Forecast Overspend

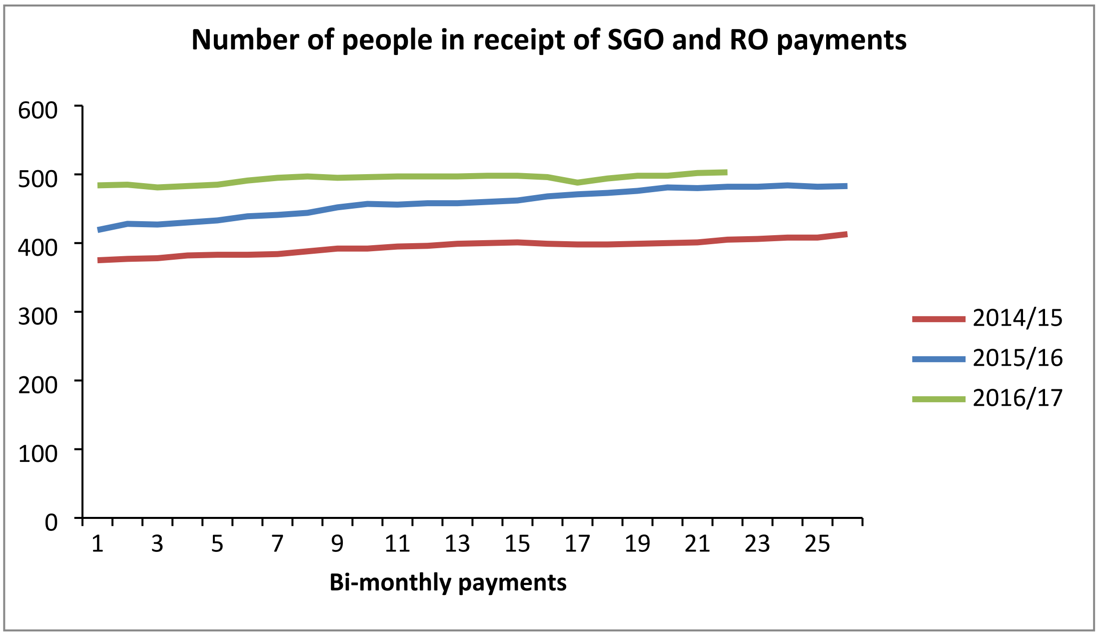
In the context of both a rising child population and increasing complexity of need in a number of cases, budget pressures are being faced in Children in Care. Whilst the numbers of Children in Care have remained around 700 over the last five years, against a rising child population, the average unit 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 38, resulting in a budget pressure of £2.3m.

Chart 3: 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 £1.9m. However this is balanced in part by some positive savings in numbers of children in independent fostering.

Chart 4: Increase in Numbers of SGO and RO Payments



Unaccompanied Asylum Seeking Children

Bristol has agreed to support an additional 10 Unaccompanied Asylum Seeking Children (UASC) as part of the National Transfer Protocol for UASC. A grant is paid to local authorities by the Home Office in relation to the age of the child for the period in which they are in care, this grant is not sufficient to cover the full costs of support required. This could cost Bristol City Council an additional £0.4m per annum.

Early Intervention & Targeted Support - £3.0m Forecast Overspend

The main areas of financial pressure within Early Intervention are in providing care for young people with Disabilities in the Preparing for Adulthood service. This is currently showing a £2.8m overspend. 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.

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.

The overspends are in part offset by (£1.0m) underspends in Early Intervention – Adults. This is due to holding of vacancies and reduction in non-essential spend across provider services such as Bristol Community Links and Community Meals services and non-recurrent income relating to a service user in Concord Lodge funded by Continuing Healthcare.

13.2 Place Directorate - £2.8m Forecast Overspend

2016/17 Budget	Gross Revised Expenditure £m	Gross Revised Income £m	Net Revenue Budget £m
Place Directorate	121.3	(104.1)	17.2

The directorate is reporting a £2.8m overspend against budget and this represents a movement of (£3.5m) since Period 7 principally due to Residents Parking refinancing (£2.0m) and additional income within the Parking (£0.3m) and Planning Divisions (£0.2m) as well as a reduction in the forecast cost of Energy Utility purchase costs (£0.2m).

The most significant forecast variance for the directorate is a £9.1m overspend within the Property division, which is offset by underspends of (£4.2m) in Transport, (£1.6m) in Energy and (£0.5m) in Planning.

Energy – (£1.6m) Forecast Underspend

A large proportion (£1.3m) of the forecast underspend is due to the decision to reallocate the use of grant income from Capital to Revenue which resulted in a one-off gain to the Revenue account this year. This means that some capital projects will be transferred to prudential borrowing at an estimated annual revenue cost of £0.08m p.a.
In addition, a one-off saving of (c.£0.5m) is now anticipated as a result of the Green Deal revenue contribution.

Planning - (£0.5m) Forecast Underspend
In the Planning division there is a forecast underspend of (£0.5m) which is as a result of increased income forecast within Engineering design team as well as increased income from Development Management fees and savings plans being implemented.

Property - £9.1m Forecast Overspend
This overspends 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 £0.6m historic overspend (since before 2012) on Facilities Management that mostly relates to unachievable recovery on internal trading income target for corporate waste management activities.

Transport – (£4.2m) Forecast Underspend
The forecast underspend in Transport of (£4.2m) has increased by (£3.0m) since period 7.

The largest part of this increase (£2.0m) is as a result of the refinancing of loans relating to Residents Parking, where accelerated loan payback was previously applied, and the payback period is being extended such that the initial £6m capital loan will now be fully paid back in financial year 2019/20 (instead of 2017/18 as with the existing accelerated repayment plan).

In addition, there has been (£0.3m) of additional income in Parking Services (bringing the total underspend in Parking Services to £1.2m) and (£0.2m) savings in Concessionary fares, based on the latest passenger data.

The remaining underspend is a result of (£0.2m) savings from Supported bus services as well as (£0.3m) savings in controllable spend in Highways services as a result of; (£0.3m) in Strategic City Transport, (£0.2m) increased income in Signals and Lighting, reduced by additional costs in Park and Ride services of £0.2m.

13.3 Neighbourhoods – (£2.1m) Forecast Underspend

2016/17 Budget	**Gross Expenditure £m**	**Gross Income £m**	**Net Revenue Budget £m**
Neighbourhoods	324.7	(255.6)	68.7

The Neighbourhoods directorate is reporting a forecast underspend of (£2.1m) as at the end of Period 9 compared to a forecast underspend of (£0.4m) forecast at the end of Period 7, which represents a movement of (£1.7m). The main constituents of this movement are as follows:

- There have been savings of (£0.7m) in Neighbourhoods and Communities

- There have been savings of (£0.5m) forecast in Housing Services – General Fund

The largest elements of the (£2.1m) forecast underspend are a (£1.0m) surplus in Neighbourhoods and Communities and a (£0.9m) underspend in Waste.

Neighbourhoods & Communities - (£1.0m) Forecast Underspend

The forecast underspend in Neighbourhoods and Communities has increased by (£0.7m) since period 7.

Neighbourhood management - (£0.2m) Forecast Underspend
This Service is forecasting an underspend of (£0.2m), mostly due to underspends in the NH ABS team (£0.07m) due to higher than expected funding from Public Health; Stapleton road project (£0.07m) and Community Development operations (£0.05m). Not included in the above is the effect of the current spending freeze on Neighbourhood Partnerships (£0.3m). This underspend has increased by (£0.15m) since period 7 and will be reflected in the P10 report.

Parks and Green Spaces (£0.6m) Forecast Underspend
This Service is forecasting an underspend of (£0.6m), partly (£0.2m) due to increased income at Cemeteries and Crematoria, partly due to reductions in planned expenditure as a result of the current spending freeze.

Libraries - (£0.1m) Forecast Underspend
This Service is forecasting an underspend of (£0.1m), due to the delayed installation of 'extended access', which is a one-off saving for this year. The predicted underspend has not increased due to the spending freeze as the only discretionary spend is on books and the book fund has already been allocated this year.

13.4 Resources - £2.8m Forecast Overspend

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
Resources	40.1	(14.4)	25.7

The Resources directorate is reporting a forecast outturn of £2.8m overspend for period 9 which is an improvement of £0.4m from period 7. 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.

13.5 City Director – (£0.3m) Forecast Underspend

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m

City Director	10.6	(3.7)	6.9

Although there have been movements within the detailed forecast the City Directorate forecast remains at a 0.3m underspend as per P07.

13.6 Corporate Savings Programme - £10.5m Forecast Overspend

There has been a reduction of £0.06m against the forecast pressure in the change programme expenditure since period 7 due to the freeze on expenditure.

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 9 (December 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 9, a further assessment of the risk to delivery is being undertaken, the

outcome will be reported in the Period 10 Report.

As savings are validated, budgets across services and directorates are being reduced to secure these savings.

Within this budget line, there is investment required to facilitate the delivery of some of the savings. There is a current forecast overspend of £1.5m against these items, which includes the delivery of IT solutions.

13.7 Other / Corporate Budgets – (£14.3m) Forecast Underspend

The forecast underspend in Period 9 has increased to £14.3m. 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 £10.6m as a result of re-profiling of the capital programme and a further adjustment to the forecast further to the amendment to the Minimum Revenue Provision 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. The latest forecast indicates 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 and this is now reflected in the forecast for Other/Corporate Budgets.

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 £1.1m has been set aside to cover the forecast cost of workforce court ruling, support to the Children's Service as part of the Ofsted Improvement Plan and to support the Corporate ERP Project.

Therefore, the remaining contingency is reduced to £1.7m and it is assumed that this will be required by the end of the financial year.

Ring-fenced Accounts

Dedicated Schools' Grant (DSG) - £4.3m Forecast Overspend

14. In 2016/17, the Council will receive £175m Dedicated Schools' Grant, which is ring-fenced and passported through to fund schools, with an element retained centrally by the Council to provide a range of support to Schools. Schools that have transferred to academy status receive their funding directly from the Department for Education – this amounts to a further £137.9m.

There continues to be pressures against the high needs block, which is forecast to be c£5.3m in the financial year, which includes brought forward pressures from 2015/16 of £1.9m. In response to national concerns regarding High Needs funding, the

Government has recently announced a one off grant to Local Authorities to help find solutions to the funding challenge.

15. 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.

16. Any deficit on the DSG at the year-end would need to be carried forward - thereby creating a further pressure for the DSG in future years.

Public Health

17. The ring-fenced Public Health service is currently forecasting an overspend of £1.6m. 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. Public Health are managing this overspend through the Public Health reserves which currently has a balance of £4.8m. 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)

18. The following is a summary of the HRA budget position as at the end of Period 9 compared to the position as at 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 8	Gross Exp £m	Gross Income £m	Revised Net Budget £m	Forecast Outturn £m	Forecast Outturn Variance £m	Period 7 Forecast Outturn Variance £m
Strategy, Planning & Governance	24.7	-131.3	-106.6	-108.0	-1.3	-0.8
Responsive Repairs	47.4	-17.4	30.0	30.6	0.5	0.5
Planned Programmes	18.0	-1.3	16.7	14.6	-2.1	-2.2
Estate Management	16.2	-2.1	14.2	14.0	-0.1	-0.2
HRA Financing & Funding	46.2	-0.5	45.7	45.7	0.0	0.0
HOUSING REVENUE ACCOUNT TOTAL	**152.6**	**-152.6**	**0.0**	**-3.1**	**-3.1**	**-2.7**

19. There is currently a forecast underspend within the HRA of (£3.1m), which has increased by (£0.4m) since period 7. This is the result of the following:

- Savings released in Strategy, Planning and Governance and Estate Management through employee reductions and review of training and stationery budgets;
- Identification of a further (£0.4m) income from energy efficiency schemes;
- There is a pressure of £0.5m in Responsive Repairs due to greater than budgeted cost of relets repairs, however, contractor spends are being reviewed so this pressure is expected to reduce;
- 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 have also led to some delays, resulting in a (£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.

20. 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 HRA Business Plan has been recalibrated to take account of the impact of the 1% rent reduction and other proposed government changes and to reflect what is likely to be a very financially challenging future.

B - Managing Savings

21. 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.

C - Reserves

22. The general reserve is set annually as part the budget process in the context of the risks to which the Council is exposed. The balance on the General Reserve is £20m and at present the Service Director: Finance is taking all appropriate actions to avoid any utilisation in 2016/17. This will be kept under constant review.

23. 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.

24. 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 and the full movement on reserves will form part of the Outturn report.

D - Capital Programme

25. 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 9, there is a forecast underspend for the year of £7.4m. Monitoring indicates that capital spending in 2016/17 will be £216.9m compared to the latest approved budget of £224.3m. It should be noted that this is primarily slippage and will increase costs in 2017/18.

The following table sets out the forecast of spend by Directorate. Additional detail is provided at Annex 2.

Table 6: Capital Programme Forecast Expenditure & Financing

	Period 7 2016/17 Budget £m	Capital Budget Adjustments £m	Period 9 2016/17 Combined Budget £m	2016/17 Forecast Outturn £m	2016/17 Forecast Outturn Variance £m	2016/17 Actual Spend to Date £m
People	40.8	(0.1)	40.7	41.3	0.6	19.2
Place	87.3	0.4	87.7	82.5	(5.2)	44.4
Neighbourhoods	9.8	1.1	10.9	9.5	(1.4)	5.5
Resources	18.7	(7.0)	11.7	12.2	0.5	8.9
City Director	0.0	7.0	7.0	6.9	(0.1)	0.6
Housing Revenue Account	56.0	0.0	56.0	52.9	(3.1)	39.3
Corporate	10.2	0.1	10.3	11.6	1.3	7.6
Totals	**222.8**	**1.5**	**224.3**	**216.9**	**(7.4)**	**125.5**
Finance By:						
Prudential Borrowing			83.7	83.8	0.1	
Capital Grants			70.3	65.9	(4.4)	
Capital Receipts *			0.4	0.4	0.0	
Revenue Contributions			13.9	13.9	0.0	
Housing Revenue Account (Self-Financing)			56.0	52.9	(3.1)	
TOTAL CAPITAL FINANCING			**224.3**	**216.9**	**(7.4)**	

26. The actual capital spend to the end of Period 9 is £125.5m (56% 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 December 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 £167.3m or 75% of the current budget (67% as at Period 7).

27. During Period 9, there has been the following approved changes resulting in the budget for Period 9 increasing from £222.8m to £224.3m:

- a virement of budget (£7m) from the Resources Directorate to the City Director, reflecting the Bristol Futures service moving between the directorates. A budget increase of £0.4m for Severn Road Avonmouth development to provide the construction of a road access as part of the contract agreement funded from the resulting capital receipt.
- Minor variations to the budget agreed by the Capital Board of £0.1m, which is now reflected in the Neighbourhoods budget. This relates to the receipt of external funding to support the provision of additional play facilities.
- Colston Hall Phase II – At the meeting of the 29th June 2016, Cabinet approved a contribution of £1.6m to progress design work to enable a detailed planning application to be submitted. In addition to this, the Bristol Music Trust have been granted £0.4m from the Arts Council England (ACE) to contribute to this work. It is anticipated that the spend will be £1.6m in 2016/17 and £0.4m in 2017/18.
- The additional award of Disabled Facilities Grants for the year has been incorporated (£1m)

28. As at the end of December 2016, there is a forecast net underspend against the Capital Programme of £6.4m, against an overspend of £3.1m at the end of Period 7. The following is a summary of the significant areas where budget pressures have been identified.

29.1 Neighbourhoods – (£1.4m) Forecast Underspend

Bristol Operations Centre – (£0.7m) Forecast Underspend
While spend over the life of the budget is forecast on budget, £0.7m of budget is waiting to be re-phased from 2016/17 into 2017/18, to match with forecast expenditure which has been re-phased into 2017/18 to reflect updated view of contract award dates and subsequent activity.

Parks & Green Spaces – (£0.6m) Forecast Underspend
Re-profiling of budgets and forecasts is required across all years in order to properly reflect an expected breakeven in expenditure on Parks capital.

Neighbourhoods & Communities – (£0.1m) Forecast Underspend
While spend over the life of the budget is forecast to budget, £0.1m of budget is waiting to be re-phased from 2016/17 into future years, to match with forecast expenditure which has been re-phased into those years.

29.2 Housing Revenue Account – (£3.1m) Forecast Underspend

The majority (£2.8m) of the forecast underspend is due to issues affecting three newbuild sites, including contractor liquidation, construction issues and procurement delays.

There is a forecast under spend of (£1.0m) under Heating installations, where access to properties is an ongoing issue and a further (£100k) reduction in spend on replacement TRV's (radiator valves) is caused by the same issue.

For the External High-rise Block Cladding schemes, an additional amount of £0.3m has been forecast to be spent, covering agreed additional works to be completed. There is a £0.1m forecast saving in the Replacement Lift Programme due to procurement delays with issue of contracts.

29.3 People Directorate Services - £0.6m Forecast Overspend

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.

29.4 Place Directorate Services – (£5.2m) Forecast Underspend

Place directorate is reporting a (£5.2m) underspend against budget for 2016/17 financial year which consists of forecast underspends of (£4.5m) in Energy, (£0.4m) in Property, (£0.3m) in Economy and (£0.2m) in Planning whilst Transport is forecasting an overspend of £0.2m. This represents a movement of (£6.2m) since Period 7.

Economy – (£0.3m) Forecast Underspend
The re-phasing of the Enabling Activities project to future years has been approved by Capital Board but not reflected yet in ABW.

Energy – (£4.5m) Forecast Underspend
More than half (£2.4m) of this underspend relates to underspent Green Deal grant derived from Department of Energy & Climate Change / Department of Business Energy & Industrial Strategy funding which originally totalled £7.3m this will either need to be paid back to funders or allocated to a loan fund scheme.

A further (£1.2m) of this relates to ELENA grant funding, where the project is now complete. In addition, (£1.3m) reflects the use of Energy ECO funds to support revenue. A £1.3m requirement for additional prudential borrowing has been shown within the Energy Infrastructure project, but it does not relate to an actual underspend. The above has been partly offset by a forecast overspend of £0.3m re: Carbon Trust where income from the revolving fund needs to be recognised.

Planning – (£0.2m) Forecast Underspend
There is a (£0.2m) forecast underspend on Planning projects due to resources being prioritised on Corporate projects with external funding eg CAF/MetroBus.

Property – (£0.4m) Forecast Underspend
There is a (£0.3m) underspend on works to refurbish Eastville depot and (£0.1m) underspend on renovation of lifts at BMAG, as work on both these projects is completed these budgets are due to be handed back.

Transport – £0.2m Forecast Overspend
There is a £0.8m forecast overspend on the Bus Shelter Replacement project as the MetroBus Programme didn't slow down the delivery of the Shelter Replacement Project as was originally envisaged. This has been offset by an underspend of (£0.2m) in the forecast spend on Southmead Hospital S106 where part of the funding is being returned to the developer. In addition there is a forecast (£0.1m) underspend reported against LSTF Local Growth Fund where funding has had to be returned and the budget is to be reduced. A further (£0.2m) underspend is forecast this year on the River Avon Path project as a result of procurement delays.

Capital Receipts

29. The assumed level of 2016/17 Capital Receipts are to support 2016/17 general fund revenue transformational schemes. The current disposal programme estimates general fund gross receipts of £5.3m for 2016/17. We have so far completed £2.3m and the remaining £3.0m has contracts exchanged.

    Furthermore, please see the table below for the risk adjusted 5-year forecast for all assets in-scope under the capital disposal programme: £6.6m for £2017/18 and £8.4m for 2018/19.

Table 7: Capital Receipt Forecasts

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
All In-scope Assets Delivery	8.5	9.5	21.1	4.3	1.9	45.4
Base Case Forecast Delivery	5.3	6.6	8.4	6.5	6.3	33.1

Capital Financing

30. 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.

31. The current capital financing assumptions exclude anticipated capital receipts of £5.3m. As set out in the Full Council report of the 13th December 2016 new flexibilities allow these receipts to fund revenue transformational activities. This will mean that these receipts will no longer be available in 2016/17 to finance this proportion of the Capital Programme.

32. Included in the General Revenue Fund is a capital financing budget of £19.3m, which is currently forecasting an underspend of £10.6m, an increase of £6.5m from the

previously reported underspend of £4.1m The additional savings are in relation to:

a. Full Council approved a change to Minimum Revenue Policy (MRP), the minimum amount that the local authority should set aside to repay future debt at its meeting on the 13th December. As set out in the report, this change resulted in a reduction of £4.3m to assist with mitigating the current revenue budgetary pressures;
b. Higher dividend income than expected (£1.1m) from the Bristol Port Company;
c. The delay of taking borrowing while the authority has liquid investments and interest rates remain at low levels has reduced the authorities net borrowing costs and along with a review of the Corporate contribution for PFI schemes has resulted in a reduction of costs (£1.1m).

E – Managing Income

33. Collection rates for both business rates and council tax are broadly on target for 2016/17. A report on the Collection Fund position was presented to Full Council on 17 January 2017. This estimated the surplus on the council tax element of the Collection Fund to be £4.6m (Bristol City Council share £3.9m) and on the business rates element an estimated surplus of £13.2m (Bristol City Council share £6.5m). These figures include an estimated year end position for 2016/17 along with adjustments relating to previous financial year. The in-year Collection Fund position for 2016/17 indicates an estimated surplus on Council Tax of £3.7m (Bristol City Council share £3.1m) and a deficit on business rates of £5.3m (Bristol City Council share £2.6m). The deficit on business rates is due to the volatility around the appeals provision. This is monitored on a monthly basis, but the final position will not be known until year-end. As the surplus position on the Collection Fund for 2016/17 has now been agreed and built into the base budget for 2017/18, any adjustment to this figure will not impact on the budget until 2018/19.

34. 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.

35. The council currently has a total of 34,970 outstanding debts. Of the £30.6m outstanding debt included in Table 8, the top 20 debtors, ranging from £0.1m to £2.05m amounts to £9.91m of the debt, or 32% of the total outstanding debt. A detailed analysis is set out in Annex 3 of this appendix.

36. 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 £15.9m. 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 Sundry Debt Analysis by Directorate

Directorate	Outstanding Value £000's	Average Value £
People	17,724	1,606
Resources	317	568
Neighbourhoods	3,416	353
Place	5,387	1,549
City Director	135	9,627
Corporate & Other	3,632	1,691
TOTALS	**30,610**	875

F - Treasury Management

37. No borrowing has been undertaken to date during 2016/17. Net debt (borrowing less investment) has increased by £12m between the 31st October to 31st December 2016 from £284m to £296m due to expected changes in grant income.

38. The average level of funds available for investment purposes during the first nine months of the year was £0.160m. The return for period was 0.58% compared to the recognised benchmark of 0.23% (7 day Libid average for period).

39. The 2016–2019 Treasury Strategy identified a medium term borrowing requirement of £0.150m 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 (£118m at December 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.

40. 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

41. Since Period 7 2016/17, a further £3.3m investment has been made to Bristol Holding Company. The amount of loans / investments as at the 31st December 2016 is set out below:

    Bristol Holding Company - £12.9m
    Bristol is Open - £0.350m