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 10 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 continues to be in a serious deficit financial position, forecasting a General Fund revenue outturn deficit of £11.6m before the use of general reserves. This represents an increase in the projected overspend of £0.6m in the reported forecast position since Period 9 (£11m deficit). The provisional outturn for 2016/17 is currently being drafted for Cabinet's consideration, and the impact of mitigating actions taken throughout the year will be assessed in that report.

3. It should be noted that as savings have been identified through the Corporate Savings Programme, and validated, these savings have been secured by reducing relevant budgets across directorates. Therefore, net revenue service budgets have been reducing through the financial year.

4. In addition to the mitigating actions highlighted in previous reports, the Council continued 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.

5. The actions were required not only to mitigate the forecast outturn deficit in this financial year but also to support delivery of a balanced budget for the 17/18 financial year.

A - Revenue Expenditure

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

    a. The General Fund with a net budget of £345.8m, 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 £151.0m gross spend in 2016/17, is

ring-fenced, and reported separately from the general fund, and is managed within Neighbourhoods.

7. Further details of the current spend position against budget is provided in the remainder of this section.

General Fund

8. 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.

Table 1: General Fund Forecast Net Expenditure

General Fund Revenue Budgets - Period 10 **Directorate**	**Net Budget £m**	**Forecast Outturn £m**	**Forecast Outturn Variance (Under)/Over Spend £m**	**Forecast Outturn Variance at Period 9 £m**
People	206.3	221.3	15.0	14.0
Place	14.1	18.4	4.4	2.8
Neighbourhoods	68.1	65.6	-2.5	-2.1
Resources	24.9	28.2	3.3	2.8
City Director	6.9	6.5	-0.4	-0.3
Corporate Savings Programme (Net Budget)	-6.5	2.0	8.5	10.5
SUB TOTAL – SPENDING ON SERVICES	**313.7**	**342.1**	**28.4**	**27.7**
Other Budgets *	32.1	17.8	-14.3	-14.3
Released from Reserves	0.0	-2.4	-2.4	-2.4
TOTAL	**345.8**	**357.5**	**11.6**	**11.0**

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

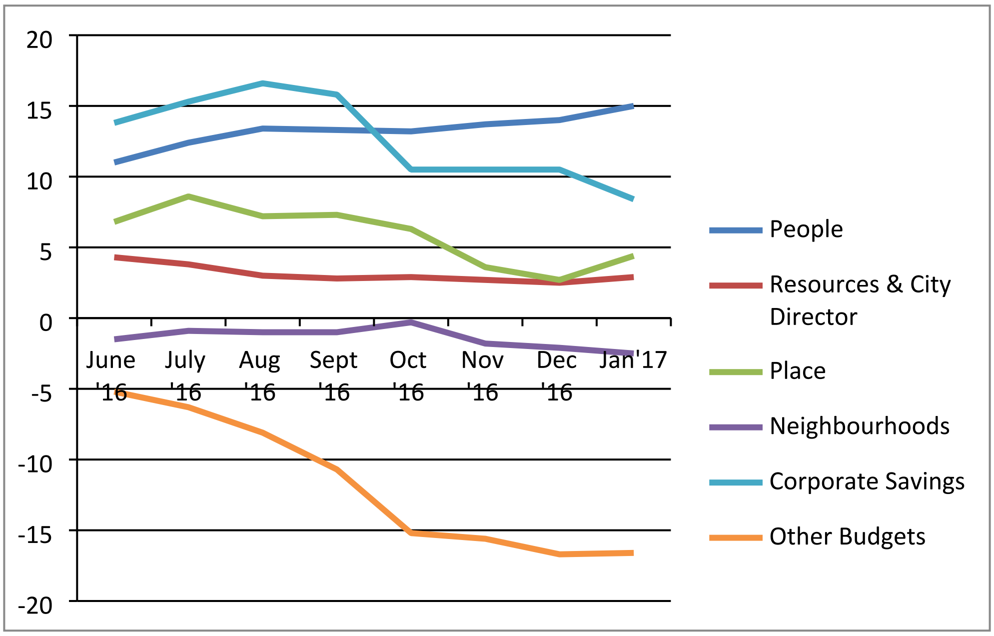
9. The above forecasts are based on actual expenditure to the end of January 2017 and Budget Managers' estimates of future spending for the rest of the financial year, as approved by each DLT. The net overall forecast outturn of £11.6m represents 2.7% of the General Fund net revenue budget.

10. 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.

11. 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 - £15m Forecast Overspend

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
People Directorate	462.9	(256.6)	206.3

The People directorate pressures and overspend are largely within the early intervention and social care services and result from

1) New legislative requirements on local authorities which were unfunded in 2016/17 e.g. Children and Families Act
2) Demographic pressures including increase in numbers of older people and children unfunded in 2016/17
3) New unexpected pressures on the budget, e.g. accommodating Unaccompanied Asylum seekers
4) Delayed delivery of full savings due to market changes, in particular in Adult Social Care

The budget for 2017/18 approved in February addresses some of the social care pressures and new statutory demands on the authority. The directorate is working to mitigate impact of the above where possible and developing good demand management strategies but this has not had a sufficient impact on the outturn forecast for this year. The recent national Budget announcement of funding through Better Care to support Adult Social Care will also make an impact and enables us to work more closely with NHS Commissioners and providers on future planning

There has been an increase in the projected overspend by £1m, since the period 9 (end of December 2016) report was presented to Cabinet. This represents an increase in the adverse budget variance of £1.77m from the reported position in Period 7.The summary below highlights the shifts per division

Movement in Variance (From period 7 to 10)	£ 000
Strategic Commissioning & Commercial Relations	(184)
Care & Support Adults	3,256
Care & Support – Children & Families	(75)
Education & Skills	223
Dedicated Schools Grant	(1)
Management - People	11
Early Intervention & Targeted Support	(1,456)
Total	**1,774**

Care & Support Adults - £8.6m Forecast Overspend

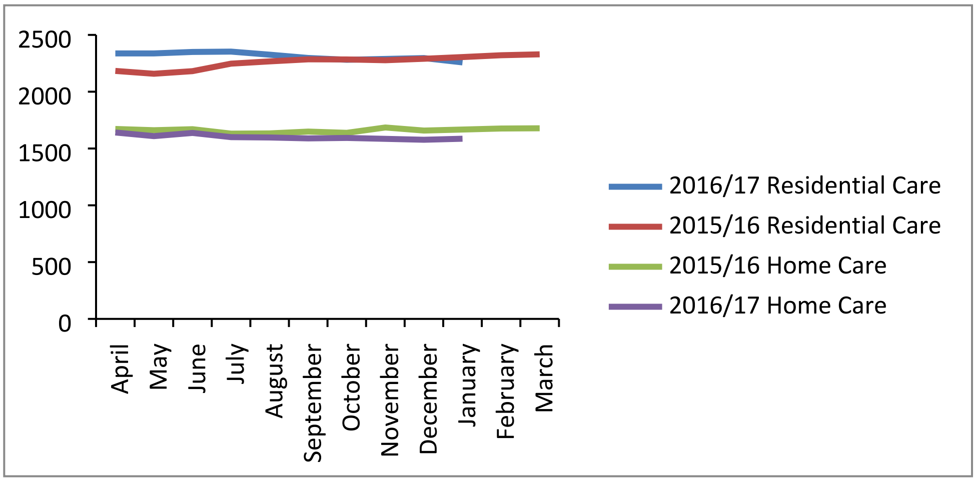
There are significant pressures in demand for services as set out above and specifically due to the increasing numbers of frail older people, people living longer with dementia and people living longer with lifelong conditions, which require significant input from health and social care services. Care packages for these people are provided based on eligibility identified in a statutory assessment of need and income.

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 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. It is worth noting that the gross spending Care & Support Adult for Bristol in 2015/16 was £188.7m and the forecast gross spending in 2016/17 is projected to be £172.7million a reduction of £16m. Over the same period, the number of older and disabled adults receiving funded social care has reduced from 6,413 to 4,017 against a back drop of rising demand, increasing contacts to Care Direct and increased complexity associated with dementia and frailty.

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

Chart 2: Trend in Monthly Residential and Home Care Activity



The forecast gross expenditure as at period 10 is £172.7 million. This equates to forecast net budget overspend of £8.63m, a net increase of £3.26m from the position reported in period 7. The key factors in relation to this increase are shown below and know factors amount to £2.986m and underlying new pressure of £0.280m

It is worth noting that the gross spending Adult Social Care for Bristol in 2015/16 was £188.7m and the forecast gross spending in 2016/17 is projected to be £172.7million and reduction of £24.7m. Over the same period, the number of older and disabled adults receiving funded social care has reduced from 6,413 to 4,017 against a back drop of rising demand, increasing contacts to Care Direct and increased complexity associated with dementia and frailty.

<u>Key factors contributing to shift in Overspend</u>

- Adjustment for target savings still yet to be achieved (£1.46m*)
- £1m base budget transferred to Early Intervention and Targeted Support service which are provider services including community links
- Under recovery of property income of £450k added into forecast – this is where expected assets for people who fund their own care have failed to realise the anticipated value
- Delay in loading spend data for historic placements
- Increase in Bed and Breakfast payments of £0.075m

<u>Mitigations</u>

Following the restructure in Care & Support Adults, where teams are now linked to GP clusters, work has been completed to reorganise the budgets and create new Budget Managers at Team Manager Level. This will ensure more accurate forecasting and embed the link between activity and financial performance. When a placement is approved, then the Team Manager can ensure that the database is updated and the financial information will feed into monthly reporting.
Some of this overspend is 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.

Non delivery of savings

Homecare * £1.4million budget pressure

A series of 'Support and Challenge' meetings with main and secondary providers have been set up. These will monitor and performance manage the contract, set new and clear targets. This will oversee the uptake of new referrals at our lower rate, transfer of existing packages from higher to lower hourly rate as well as accelerating the maximising independence approach which is designed to reduce package sizes. Consideration is being given to holding any packages of care where two carers are required to deliver the personal care – for example where manual handling / turning is needed. There are potential high levels of risk holding this until assessed by a qualified handler and these are currently being quantified.

We have recruited two new providers as secondary providers. Theses homecare companies will provide services at our lower rates for care.

A significant cost pressure reported by providers is the cost of agency staff.

I. BCC investment in 'Proud to Care' to support provider staff recruitment in Bristol,
II. Use of BCC social media/ web presence to support our main and secondary providers to recruit staff.
III. Council agreed recently to rate increase to ensure care providers are paying national living wage. This should encourage increased staff capacity in provider organisations, needed to take on the needed transfers of packages

We anticipate a positive impact of the proposed inflationary uplift on provider capacity and ability to recruit and pay care staff more and the incentive of this uplift being awarded only through good performance till end May 2017

Residential care * £7.6million Pressure

There is a positive trajectory in that there is a steady decline in the number of people being admitted into residential and nursing care. A significant portion of the directorate's budget overspend relates to price variance on placements. (See table below)

Table 1: Residential and Nursing Placements

Type	Budget Activity	Forecast Activity	Variance Activity	Revised Budget £000	Forecast £000	Volume Variance £000	Price Variance £000	Total Variance £000	Budget Average Cost £	Forecast Average Cost £	Variance Average Cost £
Residential	1,013.0	989.0	(24)	43,501	47,312	(1,027,713)	4,850	3,823	824	917	93
Nursing	777.5	779.8	1.9	24,887	28,561	(70,467)	3,721	3,651	614	702	88
Total	1,790.5	1,769	(22)	68,387,940	75,872,312	(1,098,180)	8,571,815	7,473,634	1,438	1,620	182

The Residential and Nursing placement table above highlights the price pressures in placement marketplace. The average adverse price variance per placement is £182 per week.

i. The current forecast activity of 1,769 service users in placements is 22 placements below the budgeted estimates for the financial year

ii. The reduction in number of service users in placements has accrued an expenditure saving of (£1,098,180.)

iii. The cost pressure per placement has resulted in the an extra expenditure of £8,571,815

iv. The combined effect of the reduction in placement numbers and increase in cost equates to £7,473,634 budget variance

As we continue to roll out and embed the three tier approach, we anticipate this positive trajectory continuing with new referrals being offered tier one and or two services to prevent the need for high levels of care. In March, we started using the Dynamic Purchasing System to market placements into care homes. This means that providers, to be able to win a contract, will have to be price sensitive as it will be possible to compare the price for care between providers.

The council has used data and intelligence to commission more block contracts for the types of beds we need. as part of this exercise we have decommissioned less efficient block contracted beds and commissioned, in a different way, beds that we need – for example dementia care in residential services.

<u>Other actions to be rapidly implemented</u>

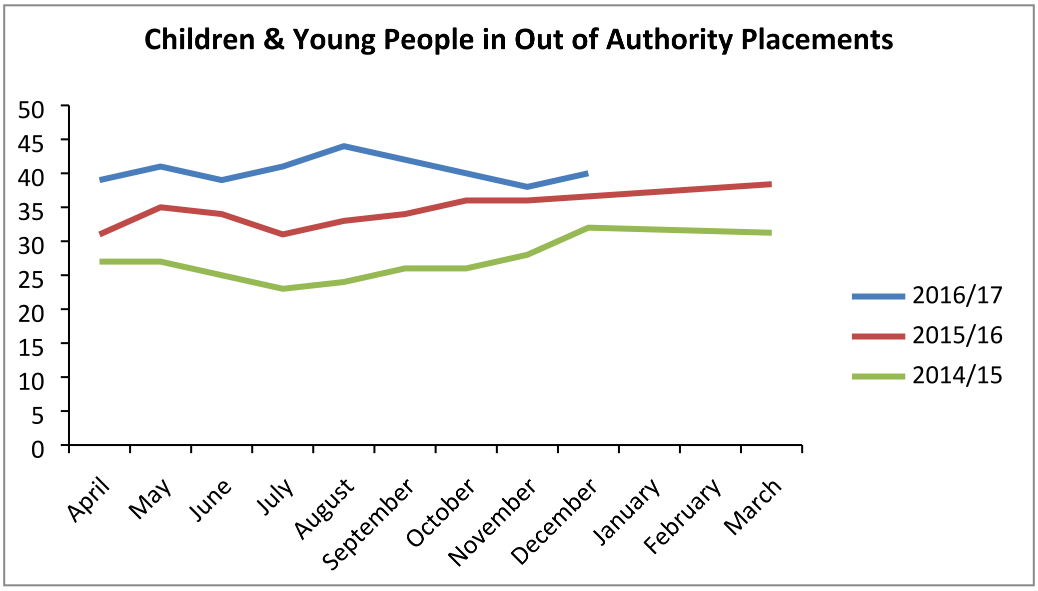
- Continuing Health Care reviews – a Social Worker in North and one in South will be responsible for attending these meetings. .
- Case Discussion Forum – Terms of Reference and timings to be agreed by 30th March. .
- No double handed care packages to start without being assessed by a Council OT, including hospitals. Double handed packages should go Reablement or assessed by a Council Occupation Therapy. An initial desk top OT review would be appropriate. Team Managers to be informed
- No requests to go Off Framework for Care Home placements apart from via Brokerage with a list of framework providers considered and cost. The Head of Service must be copied in to all requests.

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
Key factors contributing to budget overspend;

Expenditures Types	Key Variances
Placements	£2.3million
In House Fostering	£1.9million
Asylum Seekers	£0.4million
Staffing Budgets	£0.7milion
External Fostering and Other underspends	(£1.8m)
Total	**£3.5million**

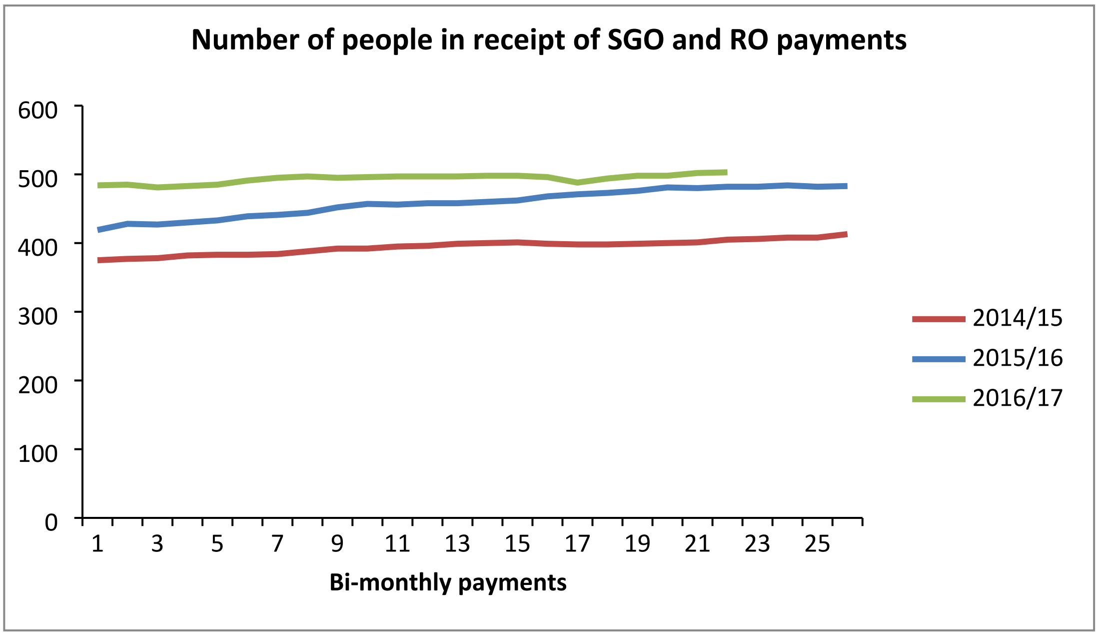
Chart 3: Children and Young People in Out of Authority Residential Placements



There also continues to be a significant pressure as a result of increases in special guardianship orders (SGOs) and residence orders (ROs). There has been a steady increase in SGO/RO over the last 4 years. Since 15/16 there have been an additional 79 placements at an average annual total cost of £706k.

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. There continues to be pressure on emergency accommodation costs and use of agency staff due to a 20% increase in caseloads. However these are balanced in part by some positive savings in the number of children in independent fostering placements and income received for adoption services

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 is forecast to cost Bristol City Council an additional £0.4m per annum.

Early Intervention & Targeted Support - £2.7m 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. Preparing for Adulthood is a significant part of the Special Education Needs and Disabilities (SEND) Reforms contained in the Children and Families Act 2014. It requires us to support young people up to the age of 25 where previously they would have transferred to adult services at 18.
Preparing for Adulthood outcomes include independent Living; Community Inclusion; Health; Employment. Reinforces duty to plan and deliver improved transition into adulthood for disabled young people (also included in Care Act)
Bristol has a dedicated "Preparing for Adulthood" (PfA) team within our Birth to 25 Service, part of the Early Intervention and Targeted Support Division. The service brings together education, health and care professionals.
Emphasis of the PfA team is on positive transition, longer term planning and case work to develop independence, long term implications in terms of life chances (and expenditure)

Around 60 new young people move into the Preparing for Adulthood remit each year. The team has only been in existence for 3 years, so most young people are now 18-21. The team will not reach full capacity for another 4 years at which point those who are 25 and meet criteria, will move into adult services.
Budget stretched considerably as young people stay with us for longer, contributing to £3million overspends.

Good evidence of positive work being done by the team to promote independence and move young people out of costly residential provision or large support packages.
Small numbers, compared to older people but investment in each young person represents an investment to improve life time independence and done well, will produce savings over average 30 to 40 years.

Since 13/14 there has been an increase in spend of £4,296,009 (200%) and an increase in young people of 202 (a 300% increase). The increase in numbers is offset to some extent by the increased independence (and lower cost) of young people who have been supported for a year or more. This is in large part due to the efficiency of intensive Preparing for Adulthood input.

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 £2.7m 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 there is a financial pressure of £0.6m in 2016/17 from supporting 37 families.

The budget overspends are in part offset by (£1.0m) underspends in Early Intervention – Adults. This is due to managing 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 - £4.4m Forecast Overspend

2016/17 Budget	Gross Revised Expenditure £m	Gross Revised Income £m	Net Revenue Budget £m
Place Directorate	118.8	104.7	14.1

The directorate is reporting a £4.4m overspend against budget and this represents a movement in forecast of £1.5m since Period 9. However net expenditure is forecast to be £1.6m lower than last month.

Two significant budget adjustments had been made as a result of a previously reported RPZ capital refinancing decision. £0.7m relates to 16/17 capital financing costs for RPZ, and £1.1m for the savings achieved in relation to this refinancing decision.

Significant forecast variances in P10 consist of an £9.5m overspend within Property offset by surplus of £3.1m in Transport, £0.6m in Planning and £1.2m in Energy.

Economy – No significant variance

Energy – (£1.2m) forecast underspend
£1.3m 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 the equivalent capital projects funding will be switched to prudential borrowing at an estimated annual revenue cost of £81k per annum.

Planning - (£0.6m) forecast underspend
In the Planning division there is a forecast underspend of (£0.6m) which is as a result of increased income within Engineering design team as well as increased income from Development Management fees and the impact of spend restrictions.

Property - £9.5m forecast overspend
This forecast overspend largely relates to a £7.9m 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.

As previously reported there is a £0.6m overspend on Facilities Management relating to under-recovery on internal trading income targets for corporate waste management activities. There is also a historic overspend in Business Rates of £0.6m for Junction 3 and M Shed.

These pressures are partly off-set by some savings achieved as a result of the spending freeze since November, particularly in relation to buildings / property maintenance. This management instruction has resulted in a £82.5k forecast saving on the centralised R&M budgets under the property division for 16/17 and potential savings of £152k for the aggregate non-centralised budgets under other strategic directorates.

Transport – (£3.1m) forecast underspend
The forecast underspend in Transport of (£3.1m) has decreased since period 9 following the budget adjustments relating to the savings achieved by refinancing of loans for Residents Parking £1.8m. In addition, there has been £0.2m of additional income in Parking Services bringing the net position in Parking Services to (£2.1m). Savings in Concessionary fares are currently forecast to be under budget (£0.2m) based on the latest passenger data.

The remaining underspend is a result of (£0.2m) savings from Supported bus services, (£0.2m) savings in controllable spend in Highways services, mainly as a result of the spending freeze on road maintenance budget since November; (£0.3m) in Strategic City Transport and (£0.2m) improved net position in Signals and Lighting, reduced by additional costs in Park and Ride services of £0.2m.

13.3 Neighbourhoods – (£2.5m) forecast underspend

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
Neighbourhoods	323.8	(255.7)	68.1

The Neighbourhoods directorate is reporting a forecast underspend of (£2.5m) as at the end of Period 10 compared to an underspend of (£2.1m) forecast at the end of Period 9 which represents a movement of (£0.4m). The main constituents of this movement are as follows:

- There have been savings of (£0.1m) in Citizen Services
- There have been savings of (£0.1m) in Waste
- There have been savings of (£0.2m) in Neighbourhoods and Communities

The largest elements of the (£2.2m) forecast underspend are a (£1.2m) underspend in Neighbourhoods and Communities and a (£1.0m) underspend in Waste

Citizen Services: £0.2m forecast overspend

2016/17	Net Budget £m	Forecast £m	Variance £m
Citizen Services	12.3	12.5	0.2

Although the movement since period 9 in the forecast for the Citizen Services division is (£0.1m) there are a number of emerging issues which are of individual value greater than £0.5m and therefore are worthy of comment.

Income from Overpayment of Housing Benefit:
An amount of £0.5m has been included in the period 10 forecast in relation to the Council's target for collection of overpaid Housing Benefit for which there is a budget of £2m. In December 2016 it was decided to increase the weekly maximum amount we would try and collect from these debtors to ensure we hit the target. However, this has not yet had the impact it was hoped for. Given the current monthly amounts we are recovering it would seem prudent to anticipate recovery of £1.5m in, which will result in the loss of budgeted income of £0.5m, and this is being further investigated.

Bad Debt Expense:
Within Citizen Services there is a budget for bad debt relating to Housing Benefits of £450k and in previous financial years this budget has not been spent, resulting in a large underspend to the General Fund. Work to finalise the forecast against this budget for 2016/17 is ongoing and may again result in a significant underspend.

DWP Audit:
The audit of the 2015/6 Housing Benefits Subsidy Claim has now been concluded and the Council will have to repay £518k of subsidy back to the DWP. There will be request made to draw this amount down from reserve BX088 that has been set aside for Audit adjustments.

Waste: (£1.0m) forecast underspend

2016/17	Net Budget £m	Forecast £m	Variance £m
Waste	27.4	26.4	(1.0)

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

The forecast surplus in Waste has increased by (£0.1m) since period 9 due to additional income from sale of scrap metal; this is the last income due to the council before the service moves under the control of Bristol Waste Company

Neighbourhoods & Communities: (£1.2m) underspend

2016/17	Net Budget	Forecast	Variance

	£m	£m	£m
NH & Communities	14.1	12.9	(1.2)

Neighbourhood management.
This Service is forecasting an underspend of (£523k), mostly due to the effect of the current spending freeze on Neighbourhood Partnerships (£298k) but also because of underspends in the Neighbourhoods Admin and Business Support team (£70k) due to higher than expected funding from Public Health; Stapleton road project (£74k) and Community Development operations (£46k).

Parks and Green Spaces.
This Service is forecasting an underspend of (£457k), partly (£237k) due to increased income at Cemeteries and Crematoria and partly due to reductions in planned expenditure as a result of the current spending freeze.

Libraries.
This Service is forecasting an underspend of (£184k), mostly 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.

Public Health – General Fund (Sports): (£0.3m) underspend

2016/17	**Net Budget £m**	**Forecast £m**	**Variance £m**
Public Health GF	1.7	1.4	(0.3)

This forecast remains unchanged since period 9

Housing Options: (£0.3m) forecast underspend

2016/17	**Net Budget £m**	**Forecast £m**	**Variance £m**
Housing Options	12.7	12.4	(0.3)

This forecast remains unchanged since period 9

13.4 Resources - £3.3m Forecast Overspend

2016/17 Budget	**Gross Expenditure £m**	**Gross Income £m**	**Net Revenue Budget £m**
Resources	39.3	(14.4)	24.9

The Resources Directorate is reporting an increase to the forecast overspend of £0.5m and this mainly relates to the movement of budgets with forecast savings linked to them being moved to the Corporate Savings Programme as noted in paragraph 13.6. Full details are shown in Appendix A. 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 – (£0.4m) Forecast Underspend

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
City Director	10.6	(3.7)	6.9

The forecast underspend for P10 has increased from P9 by £0.1m to £0.4m. This is as a result of the spending freeze which has provided further forecast savings within the Innovation fund and Mayors office.

13.6 Corporate Savings Programme - £8.5m Forecast Overspend

There has been a reduction of £2.m against the forecast pressure in the change programme expenditure since period 9 which relates to £0.3m due to the freeze on expenditure and £1.7m relating to removing the final budgets for identified savings from service budgets for 16/17. This will increase forecasts in service budgets where these budgets were linked to a forecast saving.

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 10 (January 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	(15.8)
Release of Contingency	(6.3)
TOTAL TO BE IDENTIFIED	**12.6**
Overspend against change programme expenditure	1.2
Less: Use of forecast capital receipts to fund transformation activity	(5.3)
TOTAL CHANGE PROGRAMME	**8.5**

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;

Within this budget line, there is investment required to facilitate the delivery of some of the savings. There is a current forecast overspend of £1.2m 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) - £4.5m Forecast Overspend

12. 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 amount to a further £137.9m.

There continues to be pressures against the high needs block, which is forecast to be c£5.2m 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.

13. 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.

14. 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.

15. **Public Health – ring fenced grant: £1.1m overspend**

2016/17	**Net Budget £m**	**Forecast £m**	**Variance £m**
Public Health	0.0	1.1	1.1

The ring-fenced Public Health service is currently forecasting an overspend of £1.1m, which is a reduction from £1.5m at period 9. This is mainly due to a government in year cut to 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 planning to manage 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. 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.

16. **Housing Revenue Account (HRA) – (£3.4m) underspend**
The following is a summary of the HRA budget position as at the end of Period 10.

Table 5: Housing Revenue Account Budget Forecast

HOUSING REVENUE ACCOUNT - Period 10	Gross Exp £m	Gross Income £m	Revised Net Budget £m	Forecast Outturn £m
Strategy. Planning & Governance	24.7	-131.3	-106.6	-108.0
Responsive Repairs	47.4	-17.4	30.0	30.5
Planned Programmes	18.0	-1.3	16.7	14.6
Estate Management	16.3	-2.2	14.2	13.8
HRA Financing & Funding	44.7	-0.5	45.7	45.7
HOUSING REVENUE ACCOUNT TOTAL	**151.0**	**-152.8**	**0.0**	**-3.4**

There is currently a forecast underspend within the HRA of £3.4m, which has increased by £0.2m since period 9. 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

• 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 £1.9m saving against budget, although it should be noted that contractor issues have led to some delays which account for some of the 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.

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.

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

17. 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

18. 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.

19. 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.

20. 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

21. 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 10, there is a forecast underspend for the year of £6.4m. Monitoring indicates that capital spending in 2016/17 will be £208.2m compared to the latest approved budget of £214.6m. 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 9 2016/17 Budget £m	Capital Budget Adjustments £m	Period 10 2016/17 Combined Budget £m	2016/17 Forecast Outturn £m	2016/17 Forecast Outturn Variance £m	2016/17 Actual Spend to Date £m
People	40.7	0.0	40.7	37.1	(3.6)	22.5
Place	87.7	(4.1)	83.6	81.8	(1.8)	49.2
Neighbourhoods	10.9	(1.2)	9.7	9.1	(0.6)	6.5
Resources	11.7	0.5	12.2	12.2	0.0	9.1
City Director	7.0	(6.2)	0.8	0.6	(0.2)	0.6
Housing Revenue Account	56.0	0.0	56.0	52.7	(3.3)	38.0
Corporate	10.3	1.3	11.6	14.7	3.1	14.5
Totals	**224.3**	**(9.7)**	**214.6**	**208.2**	**(6.4)**	**140.4**
Finance By:						
Prudential Borrowing			82.0	81.9	(0.1)	
Capital Grants			62.7	59.7	(3.0)	
Capital Receipts			0.4	0.4	0.0	
Revenue Contributions			13.5	13.5	0.0	
Housing Revenue Account (Self-Financing)			56.0	52.7	(3.3)	
TOTAL CAPITAL FINANCING			**214.6**	**208.2**	**(6.4)**	

22. The actual capital spend to the end of Period 10 is £140.4m (65% 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 January 2017) 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 £168.5m or 79% of the current budget (75% as at Period 9).

23. During Period 10, there has been a number of technical adjustments resulting in the budget for Period 10 decreasing from £224.3m to £214.6m, a total reduction of £9.7m. These were primarily reprofiling from 2016/7 to 2017/18. Notwithstanding this, as at the end of January, there is a further forecast net underspend against this year's Capital Programme of £6.4m. The following is a summary of the significant variances.

24. **Neighbourhoods – (£0.6m) Forecast slippage**

Bristol Operations Centre – (£0.5m) forecast slippage
While spend over the life of the budget is forecast to budget, £0.5m of budget is will be re-phased from 2016/17 into 2017/18, to match current forecast expenditure to reflect updated programming of contract award dates and subsequent activity.

25. **Housing Revenue Account – (£3.3m) Forecast underspend/ slippage**

£2.8m of the forecast underspend is due to issues affecting 3 new-build sites, including contractor liquidation, construction issues and procurement delays.

There is a forecast under spend of £970k 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 £280k has been forecast to be spent, covering agreed additional works to be completed.

There is a £130k forecast saving in the Replacement Lift Programme due to procurement delays with issue of contracts.

26. **People Directorate Services – (£3.6m) Forecast slippage**

Last month it was reported that there were pressures related to the Education Capital Programme and also the transformation programme in Care Management. The 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. At present the Directorate is forecasting slippage into 2017/18 of £3.6m. This primarily relates to capital expenditure paid for by schools.

27. **Place Directorate Services – (£1.8m) Forecast Underspend**

The Directorate is reporting a (£1.8m) underspend against budget for 2016/17 financial year which consists of forecast underspend of £4.9m in Energy, £1.5m in Economy / Major project and £0.2m in Planning whilst Transport and Property are forecasting overspend of £4.3m and £0.5m respectively. This represents an overall movement of £3.4m since Period 9.

Economy – (£1.5m) forecast slippage

There are underspends against 2016/17 budget profile for the following projects:

Kingsweir & Torpoint Flats (£0.3m), Housing Delivery Enabling Schemes (£0.3m), ASEA (Avonmouth and Severnside Enterprise Area) Infrastructure (£0.2m) and Colston Hall (£0.3m).

Housing Delivery Enabling Scheme commuted sums are for the 'provision of affordable homes' secured from developers through s106 agreements. This expenditure will now take place in Q1 in 2017/18.

With regard to Kingsweir & Torpoint Flats, contractors are on site and the Public Open Space works are now substantially completed. Due to anticipated snagging and weather issues, works are expected to be completed in 2017/18.

Energy – (£4.9m) forecast underspend

£2.9m of this underspend relates to the treatment of the Warm-Up Bristol trading accounts that sit across both capital and revenue and will balance to zero at the end of the year. Please note, this underspend is currently expected to be return back to central government in16/17, therefore it is anticipated that the overall underspend variance in P11 will reduce by this amount.

£1.2m of this relates to ELENA grant funding, where the project is now complete and we are now awaiting final payments.

£1.3m relates to a number of different heat network projects carried forward to 2017/18 and will be fully spent in that year, mainly on Temple Gate works that are now commencing in April following delays to Highways commencing their related Metrobus works. This has been partially offset by £0.2m Wood Fuel Station unbudgeted costs from previous years.

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 partially due to resources being prioritised on Corporate projects with external funding eg CAF/MetroBus.

Property –£0.5m forecast overspend

Chatsworth Homes (North Bristol Pool Project) variance from budget profile of £0.5m is due to additional costs of achieving the standards required by LABC, Fire Certification and H&S (est £0.3m). The cause of the remaining variance is being investigated and appears to relate to prior years costs.

In addition the forecast spend for Ashton Court Estate Lower Lodge refurbishment exceeds the budget profile by £1.m. This work is fully grant-funded and the budget will be amended to reflect the works undertaken.

Transport – £4.3m forecast overspend

An increased spend against budget profile is now forecast for AVTM (£5.2m) and North Fringe (£0.7m) as the spend profile of major contractors is now better known, following a period of uncertainty and risk of delay during 16-17. The budget profiling request has now been submitted for P11. Some major risks to progressing works (and therefore spend) have been mitigated. Spend rates have been updated, and forecasts adjusted to reflect this.

Spend is £0.8m ahead against budget profile for the current financial year 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.

The Cycle Ambition Fund has an in year re-profiled forecast overspend of £0.7m; Local Enterprise Zone – (£2.7m) behind budget profile across RIF TQEZ projects including Temple Circus due to delays with the procurement of contracts leading to delays to work starting on site.

Capital Receipts

28. The level of 2016/17 Capital Receipts target to support 2016/17 general fund revenue transformational schemes is £5.3m. The disposal programme has now achieved general fund gross cash receipts of £11.1m year-to-date.

29. Please note the capital receipts targets used to support general fund revenue transformation schemes under the MTFP are set to be: £5.3m in 16/17, £11.3m in 17/18 and £6.3m for 18/19 onwards.

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. There is also a major appeal from a local power station, where officers deem risk of reassessment by the VOA to be high. 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 35,528 outstanding debts. Of the £29.1m outstanding debt included in Table 8, the top 20 debtors, ranging from £0.1m to £2.05m amounts to £7.8m of the debt, or 27% 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 £15.3m. 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 7 – Outstanding Sundry Debt Analysis by Directorate

Directorate	Outstanding Value £000's	Average Value £
People	16,439	1,310
Resources	638	1,176
Neighbourhoods	3,344	364
Place	4,912	1,497
City Director	284	20,313
Corporate & Other	3,582	1,638
TOTALS	**29,199**	822

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 January 2017 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. The amount of loans / investments as at the 31st January 2017 is set out below:
    Bristol Holding Company - £15.3m
    Bristol is Open - £0.350m