APPENDIX A

Background

1. The Report provides information and analysis on the Council's financial performance and use of resources to the end of the financial year 2016/17. The Council set its budget for 2016/17 on 16th February 2016 and this report focuses on the actual performance during 2016/17 against that budget.

2. The Council is required to publish and submit its finalised statement of accounts for external audit inspection by the 31st May. Work is ongoing to finalise the accounts for presentation to Audit Committee, as the Council's nominated Committee, at its June meeting. This report sets out for Cabinet's consideration, in advance of publication, an outturn position relating to the General Fund revenue and capital accounts of the Council and its Housing Revenue Account.

3. Over a number of months Cabinet have been updated on the Council's deficit financial position. The final position is a net General Fund overspend of 10.5m.

4. A number of remedial actions were required during the year not only to mitigate the forecast outturn deficit in 2016/17 but also to support delivery of a balanced budget for the 17/18 financial year.

A - Revenue Expenditure

5. The Council's overall annual revenue spend has been managed across a number of areas:

   a. The General Fund with a net budget of £351.1m, providing revenue funding for the majority of the Council's services;
   b. The Dedicated Schools Grant (DSG) (£184m 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.

General Fund

6. Table 1 below provides a summary of how each directorate performed against the general fund revenue budget for the 2016/17 financial year.

Table 1: General Fund Forecast Net Expenditure

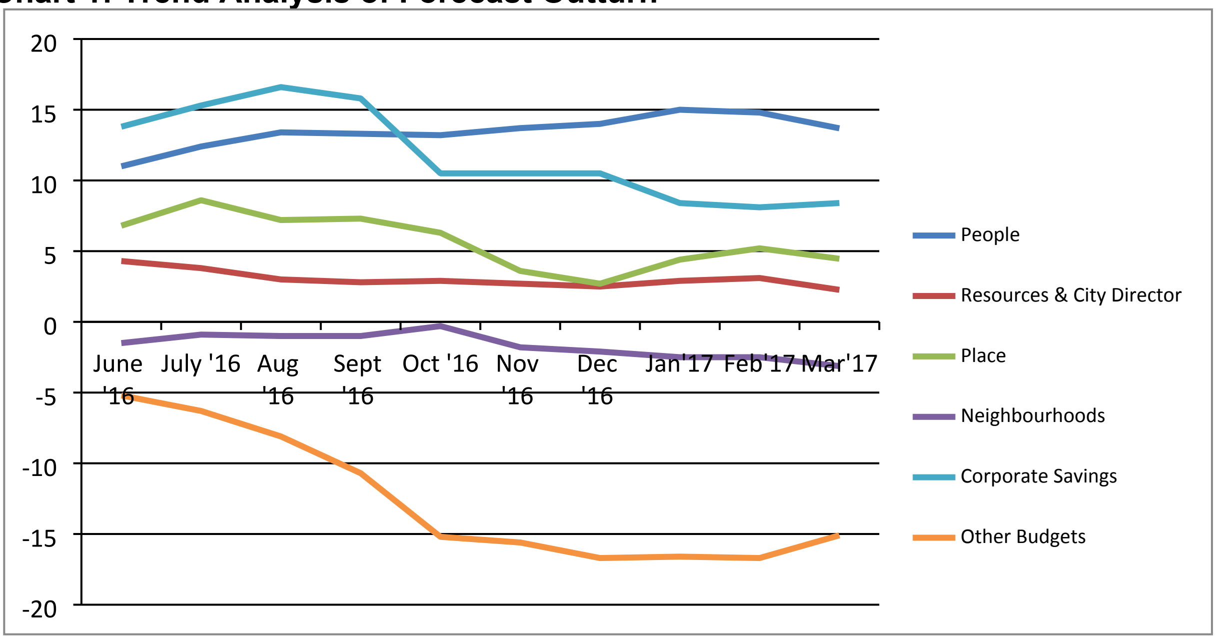
General Fund Revenue Budgets - Outturn Directorate	Net Budget £m	Outturn £m	Outturn Variance (Under)/Over Spend £m	Forecast Outturn Variance at Period 10 £m
People	218.2	232.1	13.9	15.0
Place	14.4	18.8	4.4	4.4
Neighbourhoods	73.6	70.7	(2.9)	(2.5)
Resources	25.1	27.4	2.3	3.3
City Director	7.2	7.2	0.0	(0.4)
Corporate Savings Programme (Net Budget)	7.2	15.6	8.4	8.4
SUB TOTAL – SPENDING ON SERVICES	**345.6**	**371.7**	**26.1**	**28.3**
Other Budgets *	41.9	26.3	(15.6)	(14.6)
NET EXPENDITURE TOTAL	**387.5**	**398.0**	**10.5**	**13.7**

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

7. Detailed analysis is provided at Annex 1A, with directorate details provided at Annex 1B to 1G.

   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



8. People Directorate - £13.9m Overspend

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
People Directorate	648.9	(430.7)	218.2

8.1 Overview

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

1. Legislative requirements on local authorities which were not fully funded in 2016/17 e.g. Children and Families Act
2. Demographic pressures including increase in numbers of older people and children not fully funded 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 and developing demand management strategies but this did not have a sufficient impact on the outturn for last year. The recent national Budget announcement of funding through Better Care to support Adult Social Care will also make an impact and enable us to work more closely with NHS Commissioners and providers on future planning.

There has been a decrease in the outturn overspend position of (£1.1m) since the period 10 (end of January 2017) report. The summary below highlights the shifts per division

Movement in Variance	£ 000
Strategic Commissioning & Commercial Relations	(131)
Care & Support Adults	(605)
Care & Support – Children & Families	(157)
Education & Skills	43
Management - People	(119)
Early Intervention & Targeted Support	(138)
Total	**(1,107)**

8.2 Care & Support Adults - £8.0m Overspend

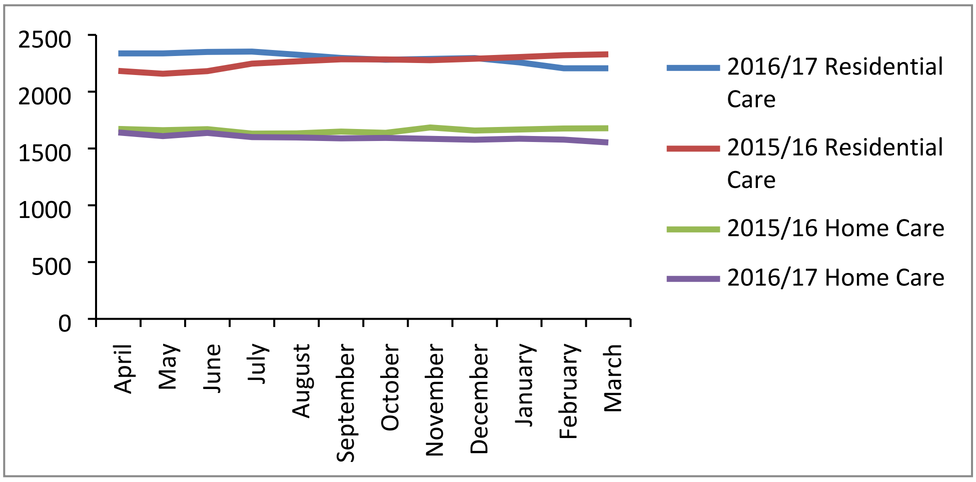
There are significant pressures in demand for services as set out above and specifically due to the increasing numbers of frail older people, people living longer with dementia and people living longer with lifelong conditions, which require significant input from health and social care services. Care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

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

Chart 2: Trend in Monthly Residential and Home Care Activity



The outturn gross expenditure is £177.8 million. This equates to forecast net budget overspend of £8.0m, hence a reduction of (£0.6m) from the period 10 forecast.

Mitigations

Following the restructure in ASC 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. Going forward 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 has been 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

The main drivers of planned savings for Care and Support adults from the previous Medium Term Financial Strategy was the re-commissioning and reduction in cost of homecare and residential placement cost. Bristol, along with many other local authorities (as documented nationally) has been unable to-date fully achieve these savings targets.

8.3 Residential care £7.6million Overspend

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	Budgeted Activity	Actual activity	Variance	Budget Amount	Outturn Amount	Volume Variance	Price Variance	Total Variance
Residential	1,013	987.4	-25.6	43,501	47,360	-1,211	5,070	3,859
Nursing	777.5	779.8	2.3	24,887	28,183	16	3,281	3,297
Total	**1,790.5**	**1,767.3**	**-23.2**	**68,388**	**75,544**	**-1,195**	**8,351**	**7,156**

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 Residential and Nursing placement table above highlights the price pressures in placement marketplace.
ii. The Outturn activity of 1,767 service users in placements is 23 placements below the budgeted estimates for the financial year
iii. The reduction in number of service users in placements has accrued an expenditure saving of (£1,195m.)
iv. The cost pressure per placement has resulted in the an extra expenditure of £8.351m
    The combined effect of the reduction in placement numbers and increase in cost equates to £7,156m 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.

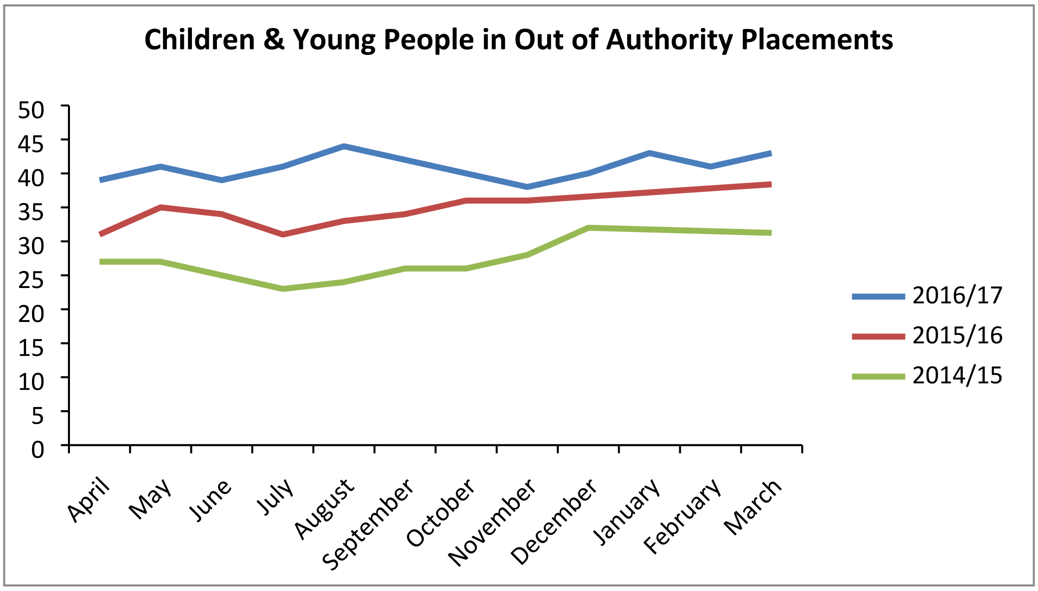
8.4 Care & Support Children and Families - £3.3m Overspend

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 38 last year, and increasing costs of spot purchased placements resulting in an overspend against the budget of £2.5m

Key factors contributing to budget overspend;

Expenditures Types	Key Variances
Placements	£2.5million
Asylum Seekers	£0.4million
Staffing Budgets	£0.7milion
Other underspends	(£0.3m)
Total	**£3.3million**

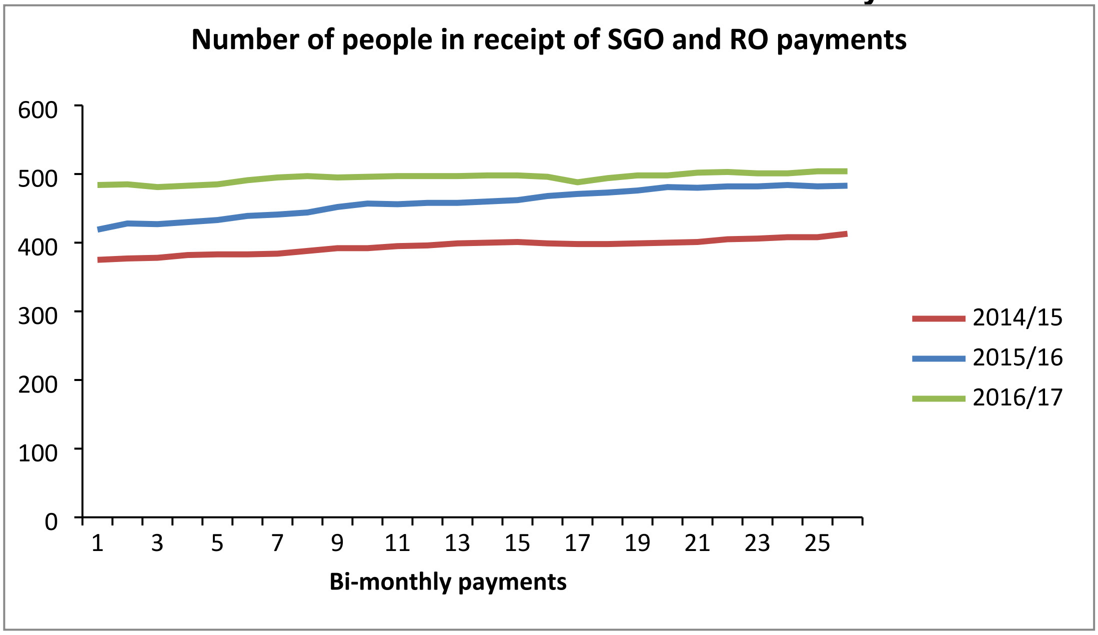
Chart 3: Children and Young People in Out of Authority Residential Placements



There has also been a significant pressure as a result of increases in special guardianship orders (SGOs) and residency 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.
Following a precedent causing court decision to give primacy to SGO's, court directions have increased disposals of special guardianship orders (SGOs) and residency orders (ROs). Consequently, there has been a steady increase in SGO/RO over the last 4 years. There continues to be a significant financial pressure as a result. 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.

Whilst the service is not complacent, against the national picture, local use of agency staff is negligible. However any agency staffing produces an overspend causing pressure on the budget. 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 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.

8.5 Early Intervention & Targeted Support - £2.5m Overspend

The main areas of financial pressures within Early Intervention are in providing care for young people with Disabilities in the Preparing for Adulthood service, secure accommodation of young offenders in the Youth Offending Team and provision of emergency accommodation for 'intentionally homeless' families.
Preparing for Adulthood is a significant part of the Special Education Needs and Disabilities (SEND) reforms contained in the Children and Families Act 2014.
Bristol has a dedicated "Preparing for Adulthood" (PfA) team within our Birth to 25 Service. The service brings together education, health and care professionals and focuses on improving outcomes including community inclusion, health and employment. The emphasis of the PfA team is on positive transition, longer term planning and case work to develop independence.

Around 60 new young people move into the team's remit each year. The team has only been in existence for 3 years, so most young people are now 18-21. The team will therefore not reach full capacity for another 4 years at which point those who are eligible, will move into adult services. 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)
There is 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. The numbers are small, 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 30 to 40 years.

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 was an additional cost of £0.6m in 2016/17 from supporting 37 families. We are working together with our housing colleagues to improve the assessment process and offer earlier advice in order to reduce the numbers being declared 'Intentionally homeless'.
The costs of secure accommodation for young offenders exceeded £300,000. Government grants for this purpose amounted to £85,000; therefore, even though the numbers remain very low, there is a significant cost to the council when the court dictates that a young person must be accommodated. The costs per night vary between £177 and £574 per night.

The budget overspends were in part offset by (£1.1m) underspends in Early Intervention – Adults. This is due to maintaining vacancies and reducing non-essential spend across provider services such as Bristol Community Links and Community Meals services.

9 Place Directorate - £4.4m Overspend

2016/17 Budget	Net Budget £m	Outturn £m	Variance £m
Place Directorate	14.4	18.8	4.4

The directorate overspent by £4.4m and this represents no overall significant movement in forecast since Period 10. Significant outturn variances consist of an £10.5m overspend within Property offset by surplus of £4.3m in Transport, £0.1m in Economy, £0.6m in Planning and £0.8m in Energy

9.1 Energy – (£0.8m) underspend
There was a £1.3m underspend in year relating 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 means that some capital projects will be financed through prudential borrowing at an estimated annual revenue cost of £81k p.a.

9.2 Planning - (£0.6m) underspend
There is an underspend of £0.6m as a result of increased income within City Design, as well as increased income from Development Management fees, and the impact of the spend freeze.

9.3 Property - £10.5m overspend
The overspend largely relates to a £8.1m shortfall in the delivery of a previous MTFS savings target (relating to 2015/16 and 2016/17), which 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) in Facilities Management mostly which relates to unachievable recovery on internal trading income target for corporate waste management activities. There is also a historic overspend in Business Rates of £0.2m for Junction 3 and M Shed where no budget was transferred to Property when the liability was transferred.

An income shortfall has been identified related to Security & Cleaning Services (£0.9m) where salary budgets were found to have been removed during 2015/16 financial year without an adjustment being made to income targets. This has been offset by corresponding savings in FM building costs (£0.6m) & Commercial Trading income which have exceeded income targets by £0.2m.

Further shortfalls have emerged in Conference Services (£0.3m), and the Old Council House (£0.2m) where it was decided to remove internal recharging mechanisms but no adjustment was made to the income target, Construction (£0.4m) and Markets (£0.1m) whilst Fleet Services overspent by (£0.3m) due to transfer of Waste business to Bristol Waste Company (BWC) and the purchase of vehicles.

9.4 Transport – (£4.3m) underspend

The underspend in Transport of £4.3m increased by £1.4m from period 10 due to increased Parking income & expenditure savings which brought the net surplus position in Parking Services to £2.7m.

There were a number of savings initiatives that Parking Services actioned over the year, the main one being a re-profile of the Residents Parking Scheme (RPS) loan repayment. This generated one-off £1.2m in parking revenue and the use of RPS capital rather than parking revenue covered the estimated £0.6m required for the RPS reviews (for this year only). The freeze on expenditure also generated significant in year savings along with a reduction of infrastructure maintenance of c£0.2m and staff savings generated by a restructure in Parking Services in October 2016.

The service has always adopted a prudent approach with parking income projections because of their vulnerability to outside factors such as the economy and particularly bad weather. The weather in February and March this year was very mild and consequently actual income for periods 11 & 12 were better than expected. Expenditure was also less as there has not been need to pay for damage to infrastructure caused by bad weather. In addition, there were lower corporate charges such as mobile phones and bank charges which were not posted until year end and some anticipated spend was not completed on time (until April) so were not included in final year-end figures.

The remaining underspend is a result of £0.4m savings from Concessionary Travel / Supported bus services, £0.5m savings in controllable spend in Highways services as a result of the spending freeze, £0.4m in Strategic City Transport and £0.3m improved net position in Signals and Lighting, additional salary recharges to capital £0.2m, offset by additional costs in Park and Ride services of £0.2m

10 Neighbourhoods – (£2.8) underspend

2016/17 Budget	Net Budget £m	Outturn £m	Variance £m
Neighbourhoods	73.5	70.7	(2.8)

The Neighbourhoods directorate has an outturn underspend of (£2.8m) as at the end of Period 12 compared with underspend of (£2.5m) forecast at the end of Period 10, a movement of (£0.3m). This is before accounting for a potential £1m release of surplus from Bristol Waste Company, which would further increase the underspend to £3.8m

The largest elements of the (£2.8m) underspend are a (£1.8m) underspend in Neighbourhoods and Communities, a (£0.3m) underspend in Waste, a (£0.4m) underspend in Housing Options and a (£0.3m) underspend in Public Health General Fund.

10.1 Waste: (£0.3m) underspend

2016/17	Net Budget £m	Outturn £m	Variance £m
Waste	31.3	31.0	(0.3)

As the accounts of the Council and its contractor (the Bristol Waste Company) are being finalised there remains potential for £1m release of surplus from Bristol Waste Company to the Council through a reduction in the cost of the service for 2016/17. If confirmed, this would result in Waste being underspent by (£1.3m).

10.2 Neighbourhoods & Communities: (£1.8) underspend

2016/17	Net Budget £m	Outturn £m	Variance £m
NH & Communities	14.1	12.3	(1.8)

The forecast underspend is attributable to the following three services.

Neighbourhood Management (£365k) underspend

This underspend is mostly due to the effect of the spending freeze on Neighbourhood Partnerships (£265k) and Public Toilets (£99k). A £170k movement in variance from period 10 is due to devolved budget expenditure being £70k higher than anticipated within Neighbourhood Partnerships and net expenditure on neighbourhood enforcement being £100k higher than anticipated.

Libraries (£284k) underspend

Libraries underspent by (£284k) mostly due to the delayed installation of 'extended access', which is a one-off saving of (£187k) for this year. Other underspends relate to repairs and maintenance (£60k) and a £40k 16-17 cost relating to Bibliotheka which was prepaid in the previous year. The movement of £100k from period 10 is explained mainly by additional repairs and maintenance savings and the Bibliotheka prepayment.

Parks & Green Spaces (£1.1m) underspend

The (£1.1m) underspend is mostly made up of greater than budgeted for income from Cems and Crems (£422k) and underspends due to the hiring and spending freezes across Parks, especially within Grounds Maintenance/Landscapes and Catering areas (£556k). The increased underspend from period 10 is due to greater savings achieved by Grounds Maintenance due to delayed recruitment, increase in parking income in Ashton Court Mansion and more than anticipated contribution from highways (£328k) and Cems and Crems achieving (£217k) more income than forecasted at period 10 due to an unusually busy February and March.

11 Resources - £2.3m Overspend

2016/17 Budget	Net Budget £m	Outturn £m	Variance £m
Resources	25.1	27.4	2.3

Resources Directorate has improved its forecast outturn to an actual outturn of a £2.3m overspend. The main variance within Resources is within the ICT Service which had a £3.2m overspend. This has been mitigated by savings in HR of £900k. The overspend in ICT relates to additional hardware and maintenance costs and software development increases 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 and has been addressed through the budget setting process approved in February 2017. The improved outturn position for ICT from a forecast £3.7m overspend in period 10 relates to additional savings through management of contracts and one off increased income from programme budgets which fund the first year of new technology, and only became apparent after the end of the final reporting period.

The outturn for HR of a £900k underspend relates in the main to staff savings for preparation of 2017/18 published savings and £300k underspend in the training budget which is directly related to the spending freeze. The training budget has been increased in 2017/18 through full council approval and plans are in place for training delivery for the revised structure.

12 City Director – (£0.0m)

2016/17 Budget	Net Budget £m	Outturn £m	Variance £m
City Director	7.2	7.2	0.0

The City Directorate for 2016/17 consists of the Policy, Strategy and Communication Division, Bristol Futures and the Executive Office Division. Each Division has been under review with the aim of delivering published savings for 2017/18. In period 10 the Directorate had reported a forecast saving of £400k however due to the nature of the grant treatment relating to WECA devolution development, which must be reflected in 2017/18, the projected saving in previous months will now be reflected in the current financial year. This is in line with the agreed budget.

13 Corporate Savings Programme - £8.4m Overspend

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. The final position is an £8.4m overspend as forecast and shown below:

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	1.1
Less: Use of forecast capital receipts to fund transformation activity	(5.3)
TOTAL CHANGE PROGRAMME	**8.4**

14 Other / Corporate Budgets – (£15.6m) Underspend

The main budget in this area is the capital financing and contingency budgets which are underspent by £12.5m primarily as a result of re-profiling of the capital programme and accounting adjustments made following changes to the Minimum Revenue Provision Policy (agreed at Full Council on 13th December 2016).

The Council received £3m more S31 rate relief grants than budgeted and additional Port Dividend income of £0.6m.

Ring-fenced Accounts

15 Dedicated Schools' Grant (DSG)

In 2016/17, the Council received £184m 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 £137.7m.

There continues to be funding pressure against the high needs block, which has contributed towards the overall deficit of £5.2m. The net deficit is reduced by £1.1m allocation from the Growth Fund and other underspends of £900k within the DSG schools block. This deficit will be carried forward into the next financial year (17/18) and is required to be managed within future DSG funding. The pressure on high needs is due to the additional requirements for provision for 19-25 year olds, that was unfunded and growth in top up payments to meet individual pupil needs. In conjunction with

Schools Forum, further work is ongoing to mitigate against further rises by reviewing special schools and resource base funding, provision of alternative learning provision and increasing contributions from schools for excluded pupils.

Due to reductions in schools funding, and inflationary pressures, the level of schools financial surpluses have reduced and many of the Bristol schools will need to undertake a management of change in order to ensure a balanced budget position for 2017/18.

16 Public Health – ring fenced grant: no variance following drawdown from ring-fenced reserves

2016/17	Net Budget £m	Outturn £m	Variance £m
Public Health	0.0	0.0	0.0

The ring-fenced Public Health service overspent by £0.7m, a reduction from £1.1m reported at period 10. A Draw-down from the Public Health reserve of £0.7m means that there is no impact on the General Fund. The underlying overspend is mainly due to a government in year cut to the grant (£36.2m) of 7.6% in year during 2015/16 and further 2% cut to the grant this year. The reduction in overspend from period 10 primarily relates to a £329k reduction in the required contribution to Health & Wellbeing Strategy. Non pay costs around delivery of key Public Health outcomes have also come in lower than anticipated

As a reduction in the grant was anticipated, Public Health are managing this overspend to prevent impact on service delivery through the Public Health reserves built up for this purpose. The reserve currently has a balance of £4.8m and is as a result of underspends in previous years. 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.

17 **Housing Revenue Account (HRA) – (£7.2m) underspend**

The following is a summary of the HRA budget position as at the year end. This is subject to change following completion of the year-end technical accounting adjustments.

Housing Revenue Account Budget

HOUSING REVENUE ACCOUNT - Period 11	Revised Net Budget £m	Outturn £m	Variance £m
Strategy. Planning & Governance	(106.6)	(109.7)	(3.0)
Responsive Repairs	30.0	29.7	(0.3)
Planned Programmes	16.7	13.8	(3.0)
Estate Management	14.2	13.2	0.9
HRA Financing & Funding			
HOUSING REVENUE ACCOUNT	**(45.7)**	**(53.0)**	**(7.2)**

TOTAL			

The HRA is underspent by (£7.2m), compared to (£3.4m) forecast at period 10. The underspend is the result of the following:

• Savings released in Strategy, Planning and Governance (SP&G) and Estate Management through employee reductions and review of training and stationery budgets;

• Identification of additional 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 (£2.1m) 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.

• Responsive Repairs have been conducting contractor spend reviews as a result of known spending pressures and have managed the overspend on Response repairs and Relet repairs at £187k. Responsive repairs have come in underspent overall due to lower than expected recharges for mobile phones and computing plus costs being recharged to capital as part of the new Housing Management capital programme (£326k). Increased work carried out by the Joinery shop has also generated net income of (£155k) which is also contributing to the underspend.

The increased underspend of (£3.9m) since period 10 is mainly attributable to recharges coming in lower than budgeted within SP&G, Response Repairs, Planned Programmes and Estate Management (£1.7m). Delays in works, mainly due to contractor and procurement issues resulting in underspends in Planned Programmes (£0.9m), Estate Management and local works underspend (£0.5m), also the Response Services as above (£0.7m).

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.

Capital Programme

18. The capital programme changed during the year as the phasing of schemes was reviewed and approvals for additional schemes and resourcing were agreed

19. The following table sets out the Capital Outturn position for 2016/17 by Directorate and additional detail is provided at Annex 2.

Capital Programme Forecast Expenditure & Financing

2016/17 Approved Budget Full Council 16/02/16 £m	Directorate name	Period 10 2016/17 Budget £m	Capital Budget Adjustments £m	Period 12 2016/17 Combined Budget £m	Period 12 2016/17 Actuals Outturn £m	Period 12 2016/17 Variance Outturn £m
52.4	People	40.7	(3.5)	37.2	34.4	(2.8)
68.0	Place	83.6	(2.9)	80.7	75.4	(5.3)
0.6	Neighbourhoods	9.7	(0.3)	9.4	8.1	(1.3)
13.1	Resources	12.2	0.7	12.9	12.0	(0.9)
0.0	City Director	0.8	(0.8)	0.0	0.0	0.0
56.0	Housing Revenue Account	56.0	0.0	56.0	48.8	(7.2)
	Corporate	11.6	5.6	17.2	17.2	0.0
190.1	**Totals**	**214.6**	**(1.2)**	**213.4**	**195.9**	**(17.5)**
	Finance By:					
	Prudential Borrowing			80.8	66.7	(14.1)
	Capital Grants			62.7	62.4	(0.3)
	Capital Receipts			0.4	0.4	0.0
	Revenue Contributions			13.5	17.6	4.1
	Housing Revenue Account (Self-Financing)			56.0	48.8	(7.2)
	TOTAL CAPITAL FINANCING			**213.4**	**195.9**	**(17.5)**

20. The actual capital spend to the end of Period 12 is £195.9m which is 92% of Combined Budget (65% reported at Period 10), a £17.5m shortfall outturn variance. The total 2016/17 spend exceeded the approved budget £190.1m set at Full Council in February 2016. The major areas of investment were as follows:

- £62m invested in transport schemes including the Metrobus programme (spend in year of £40m), Cycling Network improvements, traffic management and infrastructure.
- £49m invested in the Council's housing stock.
- £31m invested in school buildings to provide additional pupil capacity to meet increased demand.
- £11m invested in the Bristol Workplace Programme to provide effective environments to support agile working, providing technical solutions and to deliver efficiency savings.
- £4m investment in the Bristol Operations Centre at the Temple Street offices.
- £4m invested in the Arena project and surrounding infrastructure.

21. During Period 11 and 12 there has been a number of budget re-profiling adjustments resulting in the Combined Budget decreasing from £214.6m to £213.4m. The spend is forecasted to be incurred in later years of the capital programme. To note during Period 12 there has been a structural reporting change of City Director being moved to Place directorate.

22. Formal notification and approval request of a £0.7m increase of grant funding for the 2016/17 Sustainable Transport Package issued by the West of England Local Enterprise Partnership (LEP). These additional funds are to be added to the Capital Programme within transport service area as works are to be undertaken by Bristol City Council for Smartcard development on bus routes.
The original bid was for £3m submitted on behalf of the West of England local

authorities which has now increased to £3.7m, Bristol City Council transport projects total £1.5m and have been approved under delegated authority by the Place Strategic Director as individual stand alone projects, the grant award was approved by S151 finance officer.

23. There is a net outturn shortfall of (£17.5m) across the 2016/17 capital programme, the following is a summary of the significant variances.

24. **People Directorate Services – (£2.8m) outturn slippage**

The main areas of spending pressure are 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 £2.8m.

25. **Place Directorate Services – (£5.3m) outturn slippage**

The Directorate is reporting a £5.3m underspend against the 2016/17 gross expenditure budget profile, which consists of £10.7m underspends in Energy and £1.7m in Economy, whilst Transport and property are reporting overspends of £6.0m and £1.2m respectively. These represents an overall £3.5m increase in underspend since Period 10. With the exception of overspends incurred on Metrobus works (details see transport paragraph 18.4 below) other underspend variances represent in-year slippages rather than true underspend over the lifecycle of the capital projects. These slippages require re-phasing of the budgets to future years.

25.1 Economy – (£1.7m) underspend against budget profile

The underspend against budget profile is for ASEA (Avonmouth and Severnside Enterprise Area) Infrastructure (£0.5m), Filwood Park (£1.0m) and Colston Hall (£0.1m). 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 (£0.5m).

25.2 **Energy – (£10.7m) underspend against budget profile**

The European Investment Bank ELENA funded project has now been completed and is showing a £1.9m underspend on the capital programme, however in reality the actual spend on budget and all cost codes will be reconciled once the final payment is received.

£3.2m of the BEIS (formerly DECC) Green Deal communities grant has been returned to government as part of the grant condition, and a further £633k will be placed in a reserve for 2017/18 financial year to meet liabilities in completing the remaining properties affected by the Climate Energy and other contractor administration on the Warm Up Bristol Scheme.

£2.4m 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 an overspend of £0.1m re: Carbon Trust where income from the revolving fund needs to be recognised.

25.3 **Property – £1.2m overspend against budget profile**

Chatsworth Homes (North Bristol Pool Project) variance from budget profile of £0.5m is due to additional costs of achieving the standards required by Local Authority Building Control (LABC), Fire Certification and Health and Safety (est. £0.3m). This could potentially be offset by capital receipts from the disposal of associated sites, however this requires approval.

In addition spend for Ashton Court Estate Lower Lodge refurbishment exceeds the budget profile by £0.9m. This work is fully grant-funded and the budget will be amended to reflect the works undertaken.

25.4 **Transport – £6.0m overspend against budget profile**

There has been an increased spend against 16/17 budget profile for Metrobus resulting in overspends for Ashton Vale to Temple Meads (AVTM)) of £7.0m and North Fringe of £2.2m. This is because the spend profile of major contractors is now better known, following a period of uncertainty and risk of delay during 16/17. Some major risks to progressing works (and therefore spend) have been mitigated. Spend rates have been updated, and forecasts adjusted to reflect this. These overspends will be met from the 17/18 budget allocation.

Programme forecast indicates pressures on the overall budget. This is currently under review and will be the subject of a separate report to Cabinet.

Local Enterprise Zone is (£2.2m) underspent against budget profile across Revolving Infrastructure Funded (RIF) Temple Quarter Enterprise Zone projects including Temple Circus, due to delays with the procurement of contracts leading to delays to work starting on site.

The Cycling Ambition Fund (CAF) is (£1.6m) underspent against budget profile, where previously it was forecasting an overspend of £0.7m at period 10. This is as a result of works anticipated in 16/17, which have now been delayed to 17/18.

26. **Neighbourhoods Capital**

26.1 **Neighbourhoods – (£1.3m) underspend against budget profile**

The variance is mainly due to slippage, predominantly in Parks and Green spaces (£0.7m), but also Bristol Operations Centre (BOC) (£0.2m), Housing services (£0.3m) and Libraries in Neighbourhoods & Communities (£0.1m).

Re-profiling of budgets and forecasts within Parks and Green spaces is in progress across all years, in order to properly reflect an expected breakeven in expenditure on

Parks capital.

Increased underspend against budget profile of £0.5m compared to period 10 is mainly due to re-profiling of budgets to reflect actual spend profiles and further underspends on Parks and Green spaces.

26.2 **Housing Revenue Account - (£7.2m) underspend against budget profile**

The underspend of (£7.2m) is mainly made up of (£3.0) underspend on Investment in Blocks, (£2.5m) underspend on New Builds and Land enabling Works, (£1.2m) underspend on Planned Programmes and (£0.4m) on Neighbourhood Investment Projects. Much of this is attributable to planned savings achieved through recruitment freezes and schemes put on hold. Further underspends have resulted from challenges with contractor liquidation, construction issues and procurement delays.

Underspend has increased by £3.9m since period 10 due to delayed start on new builds (£1.5m), further delays with contractors and on block cladding works (£1.7m) and slippage on delivery of gas heating installation (£0.6m).

27. CAPITAL RECEIPTS

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 £12.0m year-to-date.

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 Receipts in 16/17	Actual	Target	Contribution Towards 17/18
Prep	£1,000,000		
On market	£0		
Terms agreed	£9,533,826		
Contract Exchange	£7,661,326		
Completed	£12,002,144	£5,300,000	£6,702,144
Total in-scope	£30,197,296		