

Heading: 2017/18 Budget Monitoring Report - Period 4**Ward: All****Author: Chris Holme****Job title: Head of Corporate Finance****Officer presenting report: Denise Murray (Director of Finance)****Level of Decision: Non-Key Decision****Purpose of Report**

The Council approved budgets and directorate spending limits for the 2017/18 financial year on 21 February 2017. This report sets out the forecast position as at the end of July.

Background

This budget monitoring report covers the period April to July 2017 (period 4). This report summarises the financial performance of the Council and includes:

- Projections of potential revenue and capital spending during 2017/18 against approved Directorate and ring-fenced budget allocations
- Progress on the savings efficiency options and confidence of delivery
- Reviews of risks and the mitigating actions being undertaken to ensure that we do not overspend against our 2017/18 budgets

As a consequence of the forecast outturn position outlined last month all Directorates were tasked with identifying in-year mitigating savings that could be held in abeyance pending bringing the overall net expenditure position back in line with budget.

Latest Financial Summary as at Period 4

The latest revenue forecast outturn (as provided in Appendix A) predicts a significant overspend of £6.1m (1.7%) against an approved budget of £364.7m, a decrease of £2.4m over last month. This must be reduced over the next few months to bring expenditure back in line with budgets.

There continues to be significant pressure on some of our services, particularly Property Services in delivery of planned efficiencies within the current operating models, and Adults and Children Social Care are experiencing increased costs in care packages; all of these areas could exceed their allocated budgets that were set in February. Functional areas across the organisation have held in abeyance a suite of management controls that will enable expenditure to be managed (primarily deferring non-committed expenditure and workforce savings) so that the Council keeps within its financial resource.

In addition to these, there are specific service management actions included in this report from the People and Place functions to address the overspend position.

The above and a reassessment of capital financing costs based on current forecasts together total some £6.5m. These will need ongoing review against the requirement for addressing specific overspends, the impact on service delivery and the likelihood of financial risks (as outlined) materialising.

The ring fenced accounts are outside this figure, have net nil budgets which should be contained and individual reserves to support the fund should variations as summarised below materialise:

- Dedicated School Grant (DSG) - £6.0m overspend against £202.9m approved expenditure

allocation, unchanged from last month,

- Housing Revenue Account (HRA) - £1.2m underspend against -£51.8m approved net budget,
- Public Health (PH) - £0.5m underspend against £33.7m approved expenditure allocation

Capital spending in year is forecast to be £212.4m compared to the current budget of £230.0m resulting in a forecast underspend of £17.6m.

Progress against 2017/18 savings propositions indicate £4.9m remain at risk, a decrease of £1.5m from last month.

Further details are shown in the appendices which highlight areas of concern compiled using forecast information as at P04.

Revenue Forecast

The latest revenue forecast outturn (as provided in Appendix A) shows a potential overspend of £6.1m (1.7%) against an approved budget of £364.7m.

The People directorate are forecasting overspends that total £6.9m which is £0.4m less than in the previous month. The cost of Adult Social Care remains the biggest risk to the Councils budget. This level of pressure led to the convening of Budget Improvement Executive to identify actions to achieve a sustainable position. This will include where appropriate some immediate spending restrictions / recruitment controls and measures to unblock savings implementation, as well as understanding strategic initiatives to manage the medium-long term issues in the service.

Other areas of pressures are evident within Property services of £2.5m associated to maintain the existing estate. The service has produced a recovery plan aimed at reducing cost to a degree that will bring spending back in line with budgets.

The successful delivery of these recovery plans will be closely monitored through the monthly performance reporting process and Supplementary Estimates will be required if mitigating savings cannot be identified and funds held in abeyance redirected.

Housing Revenue Account

The forecast HRA position is a £1.2m underspend as at P04 as a result of reduced Planned Programme spend. This is due to reduced average repair cost, a lengthening of the programme cycle moving from 7 years to 10 years in most cases, and a reduction in voids.

The impact of fire safety on the capital and revenue provision, and other changes under consideration will be closely monitored and reported to a future meeting.

Dedicated Schools Grant £.0 net nil

Whilst a balanced position is currently forecasted a number of pressures are emerging if not successfully managed could have an impact on the Council's general fund.

The current risks, before mitigations total £6.0m, which includes £1.6m cumulative deficit brought forward and in-year net worsening of the projected overspend is £4.4m. The main pressures are in High Needs Budgets (Special Educational Needs, Alternative Learning Provision and Specialist Support), offset by some underspends, and mainly in funds set aside for growing schools. An action plan to address the underlying pressures in High Needs is in development, which will include measures to reduce costs in alternative learning placements and top up allocations in particular. An update will be presented to the September meeting of the Schools Forum.

School reserves are at a seriously low level of £3.3m (excluding earmarked project funds) given the in-year deficits forecasted in each of the Schools funding blocks.

Public Health £.0 net nil

£0.5m underspend—The underspend in Public Health is due to a reduction in the services commissioned / provided through the General Fund. Primarily the former Health and Wellbeing Strategy Team. This must be viewed in the context of reduced annual funding and planned utilisation of PH reserves in order to achieve a balanced 2017/18 budget.

Capital Spending

The original 2017/18 Capital budget was £213.5m. There has been some re-profiling of schemes from 2016/17 into this financial year which accounts for the majority of the increase in the capital programme to a revised capital allocation of £230.0m for 2017/18. Capital spending in year is forecast to be £212.4m, resulting in a forecast underspend of £17.6m attributed primarily to the HRA £5.0m, Bristol Arena £4.0m, and Housing Delivery £5.0m. The movement in capital expenditure is shown on the Capital table.

Major areas of risks in the five year capital programme have been identified as Metrobus, Bristol Arena, and Colston Hall, which will continue to be closely monitored. The funding of the capital programme and reassessment of priorities is subject to review to be reported to Council in due course, following approval of the Medium Term Financial Plan resourcing principles.

Progress against Savings / Efficiency propositions

Of the agreed 2017/18 savings of £33.1m, £4.9m (15%) are at risk to delivery. Consultation and redesign of the service provision is not yet complete due to delays caused by the regional and general elections or current market conditions. The full saving may not be achieved in this financial year. This position is included in the forecast outturn were appropriate or outlined on the risk and opportunities where mitigations are being explored.

Work is underway to develop plan for future years and early indication for 2018/19 is that of the £16.5m noted in the budget, £2.1m has a plan that is considered under developed for this stage in the process.

Changes to Savings Proposals

During delivery and monitoring of savings proposals some changes have been made to the proposed savings. These are to be noted by Cabinet as they represent minor changes to the savings programme agreed by Council in February 2017.

- IN08- Alternative funding for responding to private tenant's complaints & IN12 Potential expansion of approved licensing schemes

Whilst overall savings remain the same, anticipated savings for IN08 should have been reported as £95k and for IN12 of £175k.

- RS16 - School Crossings Patrol.

Delays in implementation of changes in this service means full delivery of this saving in 2017/18 is delayed and savings are being mitigated in-year by use of surplus bus lane enforcement revenues.

- FP27 & FP06 - Charge for Community Links services & Review provision of day service to adults

Both these options are being pursued as a single future proposal for provision of day services to adults, which include the option for charging fees for current services.

Risk and Opportunities Implications

A range of risks and opportunities are being reviewed within Directorate Leadership Teams and new governance provides the opportunity to manage these risks in a more fundamental and sustainable way. Regular reporting and Budget Scrutiny through officer and Member groups will help ensure the necessary

actions to address spending pressures are identified and implemented; and supplementary estimates only recommended when all other options have been explored.

A range of risks are provided for within our Risk Reserve and some of this may need to be utilised during this financial year.

Reserves

The 2017/18 opening balance on reserves of £20.0m general balance, £65.4m earmarked reserve (£20.0m and £106m 2016/17 respectively). In February Council agreed an increase of £21.4m from one-off contributions from capital receipts, collection fund and review of the Council's Minimum Revenue Contribution policy. Current projections, as at the end of July, indicate a revised anticipated drawdown of £38m, reducing earmarked reserves to £48m.

Debt Management

At the end of July 2017 the Council had £33.2m of aged debt, compared to £39.8m at the end of June. £10.9m of this debt is outstanding for more than a year. Approximately a third of the aged debt is attributed to Social Care. The second page of Appendix A, analyses this debt between departments, and client types. Further improvements in our debt recovery processes, including reporting to members and a review of the Debt Management Framework are underway to ensure that the Council adopts a consistent, firm but fair policy in line with best practice and having regard for hardship.

Recommendation(s)

- That Cabinet notes the extent of forecast revenue overspend at period 4 of £6.1m
- That Cabinet notes that Strategic and Service Directors are continuing to review the levels of over and underspends and reallocate budgets in order to remain within the directorate service allocations for 2017/18.
- That Cabinet notes the progress made in identifying funds to be held in abeyance, across Directorates, pending delivery of a balanced budget.
- That Cabinet consider and note the progress against planned efficiency savings.
- That Cabinet note the changes to savings proposals, as set out above, from those outlined in the original budget report.
- That Cabinet note current forecast capital expenditure of £212.4m, which is £17.6m below the budgeted capital programme for the year.

City Outcome:
Finance Issues: The resource and financial implications are set out in the report
Finance Officer: Chris Holme
Legal Issues: This monitoring report is an important component in assisting the Council to comply with its legal obligation to deliver a balanced budget
Legal Officer: Nancy Rollason
Other Issues: N/A

DLT sign-off	SLT sign-off	Cabinet Member sign-off
Nicki Beardmore 23/8/17	Anna Klonowski 22/8/17	Cllr Cheney 04/09/17

Appendices:	
Appendix A – Council Summary	Yes

Appendix B – People Summary	Yes
Appendix C – Place Summary	Yes
Appendix D - Neighbourhoods Summary	Yes
Appendix E - Resources Summary	Yes
Appendix F - HRA Summary	Yes
Appendix G – DSG Summary	Yes
Appendix H – Public Health Summary	Yes
Appendix I – Budget Monitor Summary	Yes