

**Bristol City Council  
Resources Scrutiny Commission**

**Report of:** Service Director, Finance

**Title:** Period 10 Finance report for Resources      **Ward:** Citywide

**Officer presenting report:** Denise Murray

**Contact telephone number:** 0117 922 2419

**Recommendation**

That the Commission consider and comment on the relevant Resources extracts detailed below taken from the Period 10 Finance Report.

**Extracts from the Period 10 Finance Report**

**Extract 1**

**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.

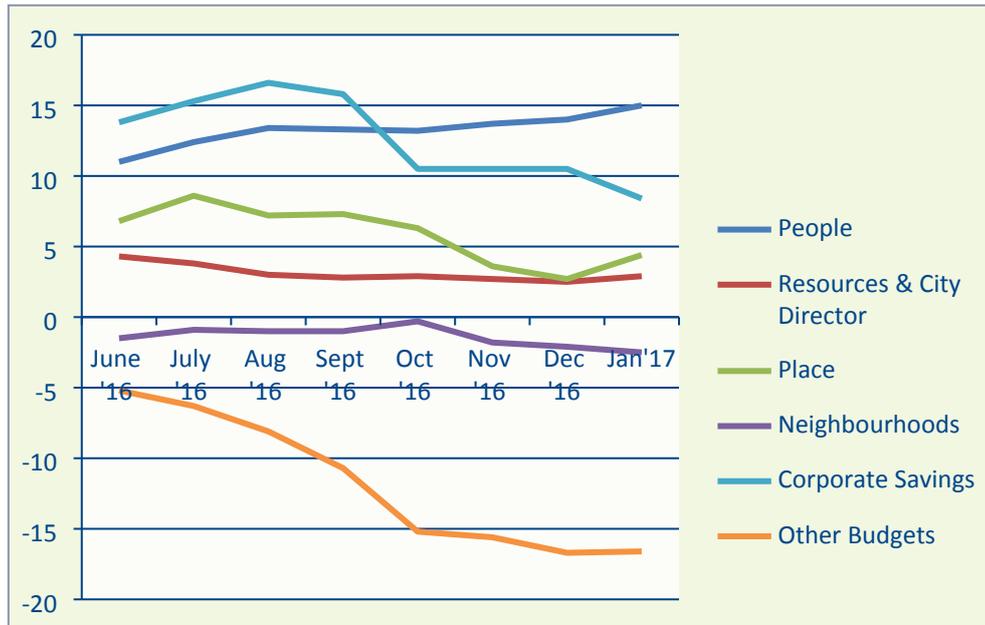
**Table 1: General Fund Forecast Net Expenditure**

<b>General Fund Revenue Budgets - Period 10</b>			<b>Forecast Outturn Variance (Under)/Over Spend £m</b>	<b>Forecast Outturn Variance at Period 9 £m</b>
<b>Directorate</b>	<b>Net Budget £m</b>	<b>Forecast Outturn £m</b>		
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
<b>SUB TOTAL – SPENDING ON SERVICES</b>	<b>313.7</b>	<b>342.1</b>	<b>28.4</b>	<b>27.7</b>
Other Budgets *	32.1	17.8	-14.3	-14.3
Released from Reserves	0.0	-2.4	-2.4	-2.4
<b>TOTAL</b>	<b>345.8</b>	<b>357.5</b>	<b>11.6</b>	<b>11.0</b>

\*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**



**Extract 2**

**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.

**Extract 3 - Capital**

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	Capital Budget Adjustments	Period 10 2016/17 Combined Budget	2016/17 Forecast Outturn	2016/17 Forecast Outturn Variance	2016/17 Actual Spend to Date
	£m	£m	£m	£m	£m	£m
People	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
<b>Totals</b>	<b>224.3</b>	<b>(9.7)</b>	<b>214.6</b>	<b>208.2</b>	<b>(6.4)</b>	<b>140.4</b>
<b>Finance By:</b>						
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)	
<b>TOTAL CAPITAL FINANCING</b>			<b>214.6</b>	<b>208.2</b>	<b>(6.4)</b>	

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 (31<sup>st</sup> 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.

## Extract 4- Managing Income

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 31<sup>st</sup> 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**

<b>Directorate</b>	<b>Outstanding Value £000's</b>	<b>Average Value £</b>
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
<b>TOTALS</b>	<b>29,199</b>	822

## **Extract 5 – Risk Assessment**

### **APPENDIX D**

#### **OVERALL RISK ASSESSMENT: PERIOD 10 FINANCE REPORT**

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

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

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

- wholly owned company delivery of agreed business plans;
- sustainability of council owned and managed assets, including infrastructure previously identified, property, fleet and ICT.
- schools PFI contracts;
- living wage accreditation – this will require a full review of all external contracts and may result in additional contractual costs;
- inflationary pressure on contract and energy costs;
- increased capital costs of major projects, i.e. Metrobus, the delivery of the Arena and Bristol Temple Meads Easts (development area around the arena);

- current lack of policy clarity on proposed changes to business rate retention;
- effect of Brexit both on house building industry and general economic confidence;
- there will be other costs, such as the Mayoral Combined Authority, still to be fully quantified;

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

## **DIRECTORATE RISK ASSESSMENT: RESOURCES**

### **ICT Risks identified:**

- Unexpected business demand, such as a result of an Ofsted, or other regulatory body, inspection.
- Any remedial actions that may be required to achieve compliance with connection standards, e.g. Public service Network (PSN).
- Remedial actions in event of serious cyber or other event, (e.g. ransomware), resulting in loss of data/access to key BCC systems and data.
- Information Commissioners fine in case of Data Breach or Loss (may not be an ICT related loss, i.e. may be loss of case papers) and remedial actions in event of Data Breach or Loss;
- Remedial actions in event of major supplier commercial failure.
- Remedial actions in the event of sudden or unanticipated change of law or statute.
- Potential additional costs incurred as result of local/regional elections.
- The potential for additional costs incurred as result of currency fluctuations or due to major external influences such as Brexit.
- Capacity to deliver the required pace of change, set upon a backdrop of reducing resources through VS.
- Restructure of the ICT function will require short term additional flexible resource to ensure that approved service projects that have savings requirements, can still be delivered.

The high level detail is given here. It is important to note that, at this point in time, if these items were to occur they would result in expenditure being drawn down from reserves or contingencies.

### **HR Risks identified:**

- Unfilled vacancies plus staff leaving through VS will deliver savings but may increase workplace pressures and the ability of the service to respond to organisational requirement during a period of significant workforce change. Stress risk assessments may be required to assess the impact on employees and this could lead to a requirement to prioritise key activities that are achievable, consider temporary resources, or work ceasing.
- Capacity to deliver the required pace of change, set upon a backdrop of reducing resources through VS. Restructure of the HR function will require short term additional flexible resource to ensure that approved service projects that have savings requirements can be delivered. However, this is expected to be able to be delivered within the proposed financial envelope.
- The income target through the Annual Leave Top Up scheme is dependent on staff

take-up across the organisation and this may not be possible as staffing levels will be lower post-restructure. This may mean that the income target in 16/17 is not realised. Also, staff leaving on VS who are in the scheme will cause loss of income in the current year.

- The staff survey has highlighted a number of key areas for consideration that will require detailed attention to address them.

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

- demand led and cannot predict its spend – high cost/profile cases could happen at any time;
- there may be an increase in an area of work through e.g. court rulings or practice;
- income is more predictable over the short term as clients are known, but will fluctuate over the longer term with changes in external clients as work and projects come to an end and new work will need to be identified;
- there may be a parliamentary election in 2017 or other smaller elections and referenda, which are not currently included in the 4 year budget predictions and which would have budget implications;
- legislative changes, such as the introduction of medical examiners, could cause significant budget pressures;
- increases in the number of deaths due to widespread fatalities that could not be predicted;
- births and deaths registration are reactive services and cannot be completely estimated.
- **Electoral Services** - Currently the postage amount is estimated because printing is billed three months in arrears by Print and Mail Operations. The canvass printing for Oct and Nov for annual canvass printing is currently estimated.
- **Lord Mayor's Office** - Spending freeze - risk that no maintenance spend may reduce income generation potential. Democratic Services - Risk of impact of no longer supporting P&CP and also concerns that school appeals income is not covering reality of staffing costs - review required
- **Members Green** - Political Assistant is due to go on maternity cover in Feb 17, backfill process needs clarification in line with spending freeze
- **Member Development** - Limited Activity on member development, - risk of lack of training to members in chairing positions etc

#### **Finance Risks identified:**

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

#### **Change Services (incl. PMO) Risks identified:**

- Where projects were relying on internal resources to support the delivery of service related projects but due to lack of available resources may need to request external resource which could have a higher cost implication.
- Unfilled vacancies in the team due to the recruitment freeze, in addition to previous reduction through VS, leading to resource pressures. In particular in management roles increasing pressures and the ability of the service to respond quickly to requests/ needs
- Staff Retention – experienced change delivery staff (e.g. Project Managers, Business Analysts, IT Specialists) with marketable skills could opt to leave the organisation, intensifying resource pressures and resultant higher costs already referenced above.
- Unexpected business demand (winning unexpected bids and needing Change resource to deliver them, unexpected IT changes which require change input etc).
- Risk that CPG group will trigger previously unexpected/not-anticipated demand.
- The Change Business Partners are currently covering the Service Manager role and working with Finance colleagues to manage the budget position and year end forecast, to mitigate this risk.