

Heading: 2017/18 Budget Monitoring Report - Period 6	
Ward: All	
Author: Chris Holme	Job title: Head of Corporate Finance
Officer presenting report: Denise Murray (Director of Finance)	
Level of Decision: Key Decision	
<p>Purpose of Report</p> <p>This report sets out for Mayor and Cabinet an update of the Council's financial position as at the end of September 2017 (period 6), including:</p> <ul style="list-style-type: none"> • Projections of potential revenue and capital spending during 2017/18 against approved Directorate and ring-fenced budget allocations • Progress on agreed savings 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 	
<p>Background</p> <p>The latest General Fund revenue forecast outturn (as provided in Appendix A) shows a potential overspend of £2.3m (0.6%) against an approved budget of £364.7m, an increase of £100k over last month</p> <p>There are a number of ring fenced accounts, that are outside this figure and which have net nil budgets that should be contained, and individual reserves to support the fund should variations as summarised below materialise:</p> <ul style="list-style-type: none"> • Dedicated School Grant (DSG) - £6.2m overspend against £202.9m approved expenditure allocation, a decrease of £0.3m from period 5 forecast, • Housing Revenue Account (HRA) - £8.9m underspend, a reduction of £7.8m in forecast underspend since P5, • Public Health (PH) - £0.2m underspend against £33.7m approved expenditure allocation <p>Following an initial review of capital expenditure, spend this year is now forecast to be £186.2m compared to the current budget of £236.1m resulting in forecast slippage of £49.9m.</p> <p>Progress against 2017/18 savings propositions indicate £4.1m remain at risk, a decrease of £0.6m from last month.</p> <p>Further details are shown in the appendices which highlight areas of concern compiled using forecast information as at P6.</p>	
<p>Revenue Forecast</p> <p>The latest revenue forecast outturn (as provided in Appendix A) shows a potential overspend of £2.3m (0.6%) against an approved budget of £364.7m.</p> <p>There are adverse movements in forecast namely: Place - which has increased by £0.6m mainly on Property which is now projecting a £3.1m overspend. This is due to a revised forecast of savings achievable, pending delivery of the recovery plan. Neighbourhoods has increased by £0.4m due to the inclusion of the pressure on housing benefit subsidy (primarily growth in the net cost of temporary</p>	

accommodation), that was previously reported as a risk. This is currently being investigated with Citizen's Services and the position will be updated next month.

Corporate costs are now showing projected underspends totalling £2m, an increase of £1m since the Period 5 report. This is as a result of delivery of £500k towards agreed saving BE07 (senior management restructuring) which is reflected within corporate contingencies, receipt of an additional £250k port dividend, and a further one-off saving in capital financing costs due to slippage within the capital programme.

The People directorate are forecasting overspends that total £6.5m, as per P5. The Care and Support Adults service did identify further £0.9m of client costs this month, though these will be met by the Improved Better Care Fund hence the forecast remains at the P5 level. The cost of Adult Social Care continues to be the biggest risk to the Council's budget. The costs are driven by the level of demand and high cost of available placements and officers are continuing to review the situation.

The report reflects the position after a number of budget transfers namely:

- £4.0m transferred to from corporate costs to the People Directorate for the net contributions towards two PFI schools contracts,
- The net Place budget was reduced by £1.456m for the financing costs of prudential borrowing.

Housing Revenue Account

The forecast HRA position is a £8.9m underspend as at P6 – the increased surplus is due primarily to the slippage on the capital programme (£7.7m) and subsequent reduction in capital financing, which is primarily funded by revenue. There is also reduced average repair cost, a lengthening of the programme cycle moving from 7 years to 10 years in most cases. It should be noted that the revenue contribution to capital will be required as part of the HRA business plan to deliver future investment in housing stock.

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 £6.2m, which includes £1.6m cumulative deficit brought forward and in-year net worsening of the projected overspend is £4.6m. 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 though significant savings may not be realised until 2018/19.

Public Health £.0 net nil

There is a forecast underspend of £0.2m on Public Health. This is some £0.3m less than reported at P5 as it incorporates the reallocation of some General Fund services which deliver public health.

Capital Spending

There have been a number of changes to the capital programme since period 5, namely;

- £3.7m Transport Challenge Fund grant which was approved by Cabinet in August.
- A budget of £1.6m has been set up to fund work at Temple Street in preparation for the new tenant, as per September Cabinet.
- £1.3m budget has also been set up as a development fund for Cattle Market Road in order to prepare the site for sale.

The revised capital allocation is £236.1m for 2017/18. Capital spending in year is forecast to be £186.2m, resulting in a forecast slippage of £49.9m attributed primarily to the HRA £7.7m, (this has increased by

£1.1m since P5), Bristol Arena £7.1m, Transport £5.8m, Energy £9.5m and GF Housing Delivery £5.9m. There has also been some re-profiling of works to later years - £0.3m Resilience Fund and £0.4m for the Old Vic.

The movement in capital expenditure is shown on the Capital table and there are a number of individual capital re-profiling that will need to be referred to Cabinet for approval, as part of the 2018/19 budget process.

Of the four capital schemes agreed with the Department for Education, (DfE), to increase early education and childcare provision, the one at Windmill Hill City Farm will no longer be pursued. The £0.7m project was deemed not to be viable due to costs arising from the planning process. In these circumstances, the DfE are not able to agree a swap to an alternative project and the funding offer will, therefore, lapse.

Major areas of current pressure or risks in the five year capital programme have been identified as Metrobus, Bristol Arena, and Colston Hall. The funding of the capital programme and reassessment of priorities is currently under review, to be reported to Council as part of the budget process and capital strategy development.

Progress against Savings / Efficiency propositions

Of the agreed 2017/18 savings of £33.1m, £4.1m (12%) are currently deemed 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 where appropriate or outlined on the risk and opportunities where mitigations are being explored.

Work is underway to develop plans for future years and early indication for 2018/19 is that of the £16.5m noted in the budget, £1.5m has a plan that is considered under developed for this stage in the process.

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 earmarked reserves and some 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). It is important to keep this under review to ensure that we maintain our robust financial standing position. Projected drawdowns for the current year are anticipated to be some £45m. If projected overspends do not continue to be mitigated, this could put severe pressure on the balance of reserves.

As part of the 2018/19 budget process, all earmarked reserves are subject to review, to assess what could be released as one off savings.

Debt Management

At the end of September 2017 the Council had £34.6m of aged debt, £11.4m of this debt has been outstanding for more than a year. This is similar to the position outlined for Period 5. Approximately 44% of the aged debt is attributed to Social Care. The second page of Appendix A, analyses this debt between departments, and client types. Due to the improved debt management process, a number of payments are now anticipated which will reduce the amount of aged debt.

Recommendation(s)

- That Cabinet notes the extent of forecast revenue overspend at period 6 of £2.3m
- That Cabinet notes that Strategic and Service Directors are continuing to review the levels of over and explore further mitigations to remain within the directorate service allocations for 2017/18.
- That Cabinet consider and note the progress against planned efficiency savings.
- That Cabinet note current forecast capital expenditure of £186.2m, which is £49.9m below the budgeted capital programme for the year.

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