Cabinet Report **Date: 9 January 2018** **Agenda item:**

Heading: 2017/18 Budget Monitoring Report - Period 7	
Ward: All	
Author: Chris Holme	**Job title: Head of Corporate Finance**
Officer presenting report: Denise Murray (Director of Finance)	
Level of Decision: Key Decision	

Purpose of Report

This report sets out for Mayor and Cabinet an update of the Council's financial position as at the end of October 2017 (period 7), including:

- 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

Background

The General Fund revenue forecast outturn (as provided in Appendix A) shows a potential overspend of £0.9m (0.2%) against an approved budget of £364.7m, which represents an improvement of (£1.4m) since last month's forecast mainly due to an improved forecast position for Place.

The position for the ring fenced budgets is as follows: Dedicated School Grant (DSG) – an improvement of (£0.9m) from P6 forecast position, Housing Revenue Account (HRA) – a decrease in forecast underspend of £0.5m since P6, and Public Health (PH) – (£0.3m) improvement from P6 forecast.

The forecast spend against the capital budget of £235.6m is £179.0m hence an underspend of £56.7m which is an additional £6.8m slippage compared to P6.

Progress against 2017/18 savings propositions indicate £3.3m remain at risk, a decrease of (£0.8m) from last month.

Further details are shown in the appendices which highlight areas of concern compiled using forecast information as at P7.

Revenue Forecast

The latest revenue forecast outturn (as provided in Appendix A) shows a potential overspend of £0.9m (0.2%) against an approved budget of £364.7m.

The improvement in the forecast position across different services is as follows: Place – reduced the forecast outturn by (£1.2m) due to some mitigating actions in property, additional parking income, holding vacancies and recharges to WECA for resources and set up costs; People – this has improved by £0.5m due to small movements across a number of service areas; and Neighbourhoods has improved by £0.4m due to reduced numbers in temporary accommodation.

However, there are still some significant pressures within Directorates namely in People where a further £0.5m of Adult client costs was identified this month though it is intended that these will be met by the Improved Better Care Fund hence the forecast for the service remains at the P6 level for Adult Care and Support. 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. Property also continues to show a forecast overspend of £2.8m, due to a shortfall on internal trading income, overspend on security services and business rates budget shortfall, with no further mitigating actions identified and will be subject to further budget scrutiny.

Housing Revenue Account

The forecast HRA position is a £8.4m underspend as at P7 as a result of reduced Planned Programme spend – the increased surplus is due to the slippage on the capital programme and subsequent reduction in capital financing, which is primarily funded by revenue. There is also an expected draw down from reserves of £1.9m to offset the costs of implementing the replacement housing management system.

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 £5.3m, which includes £1.6m cumulative deficit brought forward this is an improvement of (£0.9m) on the P6 forecast mainly due to the renegotiation of post 16 top entitlements with local colleges. The main pressures are in High Needs Budgets (Special Educational Needs, Alternative Learning Provision and Specialist Support), offset by some underspends, 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 £0.5m on Public Health. This has moved by (£0.3m) from the P6 forecast due to a reduction in funding required to support alcohol treatment services and additional income.

Capital Spending

There have been some minor changes to the capital programme since P6 due to some external funding and re-profiling resulting in a slight change to the base budget of £0.5m.

The revised capital allocation is £235.6m for 2017/18. Capital spending in year is forecast to be £179.0m, resulting in a forecast slippage of £56.7m attributed primarily to:

- HRA £7.5m,
- Bristol Arena £10.1m
- Transport £9.6m,
- Energy £9.5m,
- School Organisation / Children's Services £3.9m,
- ICT Strategy Development £3m
- and General Funded Housing Delivery £1.6m.

The forecast slippage of £56.7 is an increase of £6.8m from P6. The main areas that have changed are as follows:

- Property - Health and Safety (£1m),
- Arena (£2.9m),
- Cattle Market (£1m),
- Filwood (£1m),
- Sustainable Transport (£1.4m),
- Portway Park and Ride (£1.1m),
- Highways and Drainage (£1.2m)
- and Strategy and Commissioning £4m.

The movement in capital expenditure is shown on the Capital table and there are a number of individual capital re-profilings that will need to be referred to Cabinet for approval.

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, £3.3m (10%) are currently deemed at risk to delivery compared to £4.1m in P6. This is due to the removal of the red rating for the Children Centre reshaping which is now reported as part of the Directorate risks. 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, £2.6m has a plan that is considered under developed for this stage in the process.

Risk and Opportunities Implications

Each month Directorates review their risks and opportunities and consider which are not reflected in the current forecast. 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. As at P7 the level of net risk is £2.1m which is an increase of £1m from P6 largely due to the Children Centre reshaping mentioned above.

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 now anticipated to be some £34m with a further £11m currently estimated for 2018/19. 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

The level of aged debt over three months old has increased from £19.7m in P3 to £22.6m in P7 which is predominantly debts relating to individuals for Adult Social Care. There is also an increase in schools aged debt due to PFI charges. Appendix A provides an analysis of this debt between departments, and client types with a comparison between P3 and P7. Additional resources are being identified in order to reduce the level of aged debt.

Recommendation(s)

- That Cabinet notes the extent of forecast revenue overspend at period 7 of £0.9m
- 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 £179.0m, which is £56.7m 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