

1. Background

1.1. The report provides information and analysis on the Council's financial performance and forecast use of resources during the financial year 2018/19. The Council budget for 2018/19 was agreed by Council on 20th February 2018 and this report focuses on the forecast position against that budget.

2. Revenue Expenditure

2.1. The Council's overall annual revenue spend during 2018/19 is managed across a number of areas:

a. The General Fund with a net budget of £356.2m, providing revenue funding for the majority of the Council's services;

Ring Fenced Accounts:

b. The Housing Revenue Account (HRA) of £119.9m gross spend, is ring-fenced, money received in rent in order to plan and provide services to current and future tenants, and is managed within Communities Directorate;

c. The Dedicated Schools Grant (DSG) of £341.3m, which is a ring-fenced grant that must be used in support of the schools budget as defined in the School and Early Years Finance Regulations and can't be used for any other purpose. The grant is managed within the Adults, Children's and Education Directorate;

d. Public Health, a ring-fenced grant of £32.5m, must be spent to support the delivery of the Public Health Outcomes Framework exclusively for all ages and is managed within Adults, Children's and Education Directorate.

General Fund

2.2. The Council operates Directorate cash limited budgets and Executive Directors are responsible for ensuring that appropriate action is taken to contain both revenue and capital spending within the directorate's overall budget limit. Budget holders forecasting a risk of overspend should in the first instance set out in-service options for mitigation. Where these are considered undeliverable or pressures cannot be contained across the directorate a request can be made for the Executive to consider granting a supplementary estimate redirecting funds from an alternative source. As at period 3 no supplementary estimates have been requested for 2018/19.

2.3. The Council is currently forecasting the risk of an overall £7.5m overspend on the current budget. This is primarily due to Adult Social Care placements, which is forecasting a £11.8m overspend, and Education £1.2m due to loss of Education Services grant and home-to-school transport demand. A detailed review is currently being undertaken to reassess the scale of overspend and what mitigating actions can be undertaken. These will be reported back as part of the period 4 monitoring.

2.4. The (£6.2m) underspend on the corporate budgets relates to the adult social care grant, (pending a decision on allocation), a reassessment of capital financing costs based on projected capital spend and contingency specifically earmarked for service pressures which are now reflected within the service forecasts.

2.5. In July, Cabinet agreed to remove the 2018/19 libraries savings and retain all existing libraries across the city. This is mitigated by up to £1m one-off drawdown

from the Mayor's consultation reserve. The impact on 2019/20 will be reviewed as part of the annual budget setting process.

2.6. Table 1 provides an overview of the Council's current forecast position for the 2018/19 financial year. Additional service detail is provided for each Directorate in individual appendices.

Table 1: General Fund Forecast Net Expenditure

Approved Budget £m	Directorate	Revised Budget £m	Outturn £m	Variance £m	Variance as % of Net Budget
203.514	Adults, Children's and Education	218.201	231.242	13.041	5.9%
65.501	Communities	63.443	63.589	0.146	0.0%
5.490	Growth and Regeneration	6.390	7.144	0.754	11.8%
40.784	Resources	41.084	40.940	(0.144)	0.0%
315.289	Sub-total	329.118	342.916	13.798	4.2%
40.973	Other Budgets*	27.114	20.869	(6.245)	-23.0%
356.262	Net Expenditure Total	356.232	360.774	7.553	2.1%

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

Technical Adjustments Post Budget Setting

Business Rates Section 31 Grant

2.7. As outlined in the outturn report, there is a gain to the Council from section 31 grant for business rates. Confirmation of the change in methodology for these grants and any potential claw back was confirmed too late to be included in the budget as approved by Full Council. The Council approved delegation to the section 151 officer in consultation with the Deputy Mayor, Cabinet Member for Finance, Governance and Performance and the Mayor to make any technical adjustments upon receipt of further detail relating to the final settlement.

2.8. At present it is assumed that the whole of the indicative additional grant totalling c.£5m for 2018/19 will be allocated subject to Cabinet approval (this is in additional to £3.5m received during 2017/18 as noted in the outturn which is held in reserves.) The additional Section 31 grant should be considered as a one-off resource and any impact going forward will be analysed as part of the MTFP refresh.

2.9. The current forecast position does not assume any use of the additional Section 31 grant and because of the overarching position of an £7.6m overspend this fund is being held in abeyance. The potential need for a supplementary estimate is being closely monitored, following greater certainty of the Council's position an updated position will be reported to Cabinet along with recommendations for its allocation.

Adult Social Care Grant

2.10. In February as part of the final local Government Finance Settlement the Secretary of State announced a one-off Adult Social Care grant, which whilst noted in the budget report was too late for allocation. For Bristol this was a non-ring-fenced grant of £1.268m. This additional grant is assumed within the corporate

position, pending agreement to allocate this grant to support the pressures demonstrated within Adult Social Care.

Ring-Fenced Accounts

Housing Revenue Account

2.11. There is a forecast underspend on the HRA of £1.485m due to staff vacancies and an underspend on rechargeable services. Any plans developed to utilise this underspend will be in line with the service objectives (which could be utilised for both capital and revenue purposes) and ensure value for money, efficiency and effectiveness are at the forefront of the service provision.

Dedicated Schools Grant

2.12. The total Dedicated Schools Grant (DSG), including amounts recouped by the Education and Skills Funding Agency for Academies, is £346m for 2018/19 and -£1.0m deficit carried forward from prior year.

2.13. The DSG is currently forecasting an in year variance of (£0.9m surplus) and after taking account of the carried forward deficit of -£1m this reduces to a net residual pressure of £105k. The main pressure within the DSG remains in the high needs block c.£1.6m. The forecast position is based on the forecast activity and take up for the year and associated spend. The residual underspends -£1.5m is in other areas of the DSG (Excluding Individual Schools), however approval would be needed from the Schools Forum to realign this forecasted underspend in supporting the High Needs pressure.

2.14. A 3 year recovery plan (not yet implemented) is being co-developed with The Inclusion In Education Group a sub-group of the Schools Forum with representation from a range of a Schools, Settings, Early years, Post 16 and SEND representatives. The group oversees the changes required to fully implement the National SEND reforms and has been working with officers on a series of relevant work streams with the key objective to ensure the High Needs Budget is sufficient to meet the needs and costs associated with Children with SEND and that in the long term the ongoing demand is sustainable within the envelope of funding provided from the government via the National Funding Formula. The much reduced forecasted pressure will be reflected in the thinking.

2.15. In July however there was a successful judicial review against the Council's High Needs Budget and adjustments to these budgets to reflect the indicative recovery plan. These changes to the budget have been quashed and Officers are currently assessing the implications of the ruling, in view of the year end position, current year forecast and service provisions and will report back to Schools Forum and Full Council in due course.

Public Health

2.16. The original Public Health business plan for 2018/19 assumes a drawdown of ring-fenced reserves of £1.8m in order to deliver the business plan. Public Health forecast a balance year end position; however this must be seen in the context of a 2.6% reduction (£0.9m) in the grant funding allocated by Public Health England in 2018/19.

2.17. The service is currently exploring the mechanisms by which this will be delivered which may include restructuring and reviewing contracts to ensure that it can deliver [a sustainable offer that meets the core priorities of the funding for 2018/19 and beyond.](#)

Savings Programme

2.18. To balance the 2018/19 budget, savings totalling £34.5m were approved by Full Council. There was also £8.7m of savings from 2017/18 which whilst were mitigated as one off in 2017/18 still remain as an ongoing saving requirement for delivery in 2018/19. Of this £7m is now delivered on an on-going basis.

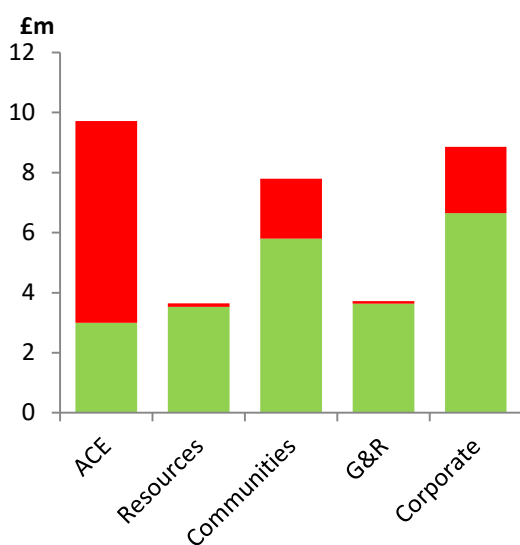
2.19. There remains a risk regarding £11.1m of savings which remain as red indicating that further work/mitigating actions are required in order to deliver, of this £6.3m relates to savings within Adult Social Care, £1m for review of fees and charges and £0.9m for organisational redesign. Table 2 and Chart 1 provide a breakdown of the realisation of the planned 2018/19 savings by directorate. Chart 2 shows the proportion of 2017/18 brought forward savings that have now been achieved.

2.20. Members should note that delivery of savings is based on Directors assessment of whether the savings agreed by Council has been delivered and whilst other areas of underspends and income generation is being realised with budgets, until this is reallocated via a change control process the savings delivery tracker and forecast outturn will not be aligned. This will be subject to more in depth review in the next monitoring report.

Table 2: Summary of Delivery of Savings by Directorate

	2018/19 Savings £m	2018/19 Savings reported as safe	2018/19 Savings at risk at P3 £m	% of 2018/19 Savings at risk at P3
ACE	9.720	3.002	6.718	69%
Resources	13.221	10.742	2.320	18%
Communities	7.801	5.802	1.998	26%
Growth and Regeneration	3.721	3.638	0.082	2%
Total	34.463	23.184	11.118	33%

Chart 1: 2018/19 Savings Delivery



Target Rolled Forward

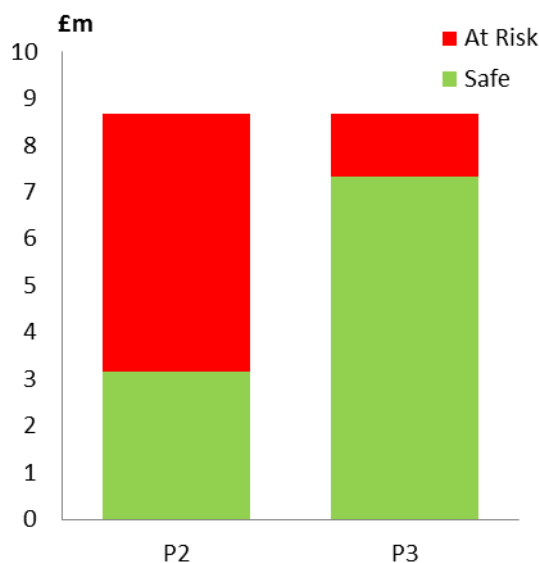


Chart 2: Delivery of 2017/18 Savings

Risk and Opportunities

2.21. There are other financial risks and opportunities to the Council which have

been identified which could materialise during the financial year, these costs/income are not reflected in the forecast and are detailed within the specific directorate appendices.

3. Capital Programme

- 3.1. The main areas of forecast underspend at P3 relate to the Arena (£18.2m), Colston Hall (£6.2m) and (£3m) on the Housing Revenue Account. Work on the Arena is currently on hold pending a decision that is anticipated to be made in September regarding the future of the project. In May Cabinet approved the re-profiling of the Colston Hall programme in line with the phasing of funds. The majority of non BCC pledged funding is expected to be received in 2019/20.
- 3.2. In July Cabinet agreed that £7.3m from contingencies would be used for the Future State Assessment ICT strategy. This included £0.5m in 2018/19 and £6.8m in future years subject to approval by Council as part of the annual budget setting process.
- 3.3. Table 3 sets out the forecast Capital Outturn position for 2018/19 by Directorate.

Table 3: Capital Forecast Outturn position for 2018/19 by Directorate

Approved Budget £m	Directorate	Revised Budget £m	Forecast Outturn £m	Variance £m
33.200	Adults, Childrens and Education	30.821	29.617	(1.204)
8.600	Communities	27.848	25.229	(2.619)
133.500	Growth and Regeneration	128.449	95.816	(32.633)
3.500	Resources	8.320	8.320	(0)
178.800	Sub-total	195.438	158.982	(36.456)
18.600	Corporate	9.500	9.500	0.000
47.000	Housing Revenue Account	47.056	43.928	(3.128)
244.400	Total	251.994	212.409	(39.584)

- 3.4. Since the 2018/19 budget was agreed in February there have been a number of revisions to the capital budget. In line with the organisational restructure, Facilities Management, (including building practice Health and Safety and vehicle replacement), and Energy infrastructure are now part of the new Commercialisation Division that is in Communities.
- 3.5. There has been additional funding for 2018/19 since February as follows:
- £1.6m Schools Programme - bringing forward the expansion of Bristol Brunel Academy as approved by Cabinet in March
 - £1.4m Strengthening Families programme – as approved by Cabinet in April – the use of capital receipts to fund the system wide transformation of children services
 - £3.2m Transport programme – including use of Local Growth Fund to complete the Airport Road scheme (March Cabinet) and additional

WECA grants

- £3.8m Housing Delivery – Land Release Fund grant for five sites
- £0.6m other minor adjustments

3.6. Table 4 outlines the reprofiling of unspent 2017/18 capital budgets to 2018/19 pending further review as part of the 2019/20 budget process.

Table 4: Roll forward of unspent 2017/18 Budgets

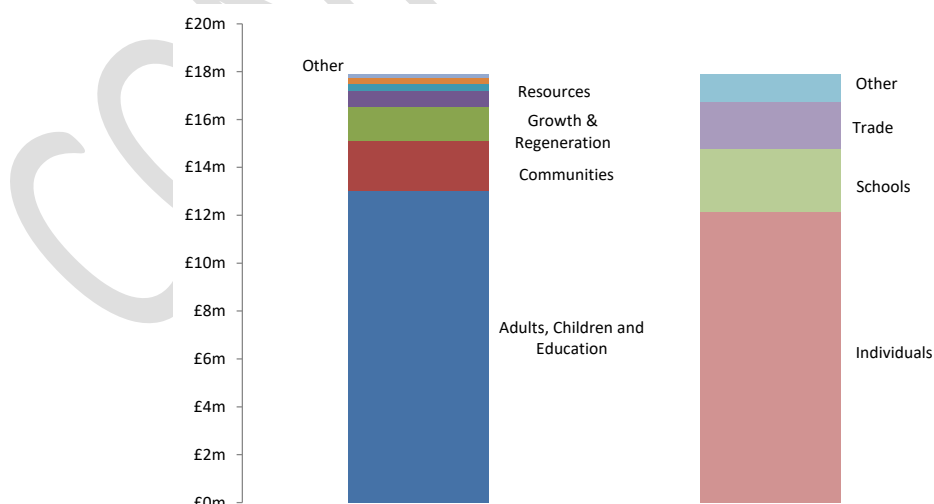
Directorate	£m	Main Programmes
ACE	8.0	Schools programme, Education ICT system and Care Services Extra Care Housing
Growth and Regeneration	9.5	Transport Programme, Energy and Property
Communities	3.0	Bristol Operations Centre and Housing Solutions
Resources	1.5	Bristol Workplace
Corporate	0.7	
HRA	2.9	
Total	25.6	

4. Debt Management

4.1. As at 30/06/2018, there was £17.9m outstanding sundry debt owed to Bristol City Council that has been outstanding for longer three months (not including Housing Rent, Council Tax or Business Rates).

4.2. Chart 3 provides a breakdown of debt by Customer type and Directorate.

Chart 3: Breakdown of Aged Debt by Customer Type and Directorate



4.3. The largest single area of this debt making up £10.1m relates to individual's assessed contributions to packages of adult social care.

4.4. The Adult Social Care debt relates to almost 1,950 individuals, of which 1,500 (75%) owe between £0 and £5,000. We have recruited additional resource to

tackle the level of outstanding debt for individuals associated with Adult Social Care to compile evidence to ensure that those who can pay do.

4.5. Schools debt predominantly relates to outstanding contributions relating to PFI schemes which are expected to be resolved during this financial year.

5. Reserves

5.1. The opening revenue reserves are £104.4m, made up of £84.4m earmarked reserves and £20m general reserves. Current planned drawdowns of earmarked reserves are £13.7m and assuming no further mitigations can be achieved the current forecast overspend would reduce our general reserves at year end by a further £7.5m.

Earmarked Reserves

5.2. Opening earmarked reserves at 1st April 2018, were £84.4m in setting the budget for 2018/19 there was a budgeted net drawdown from reserves of £12.4m, made up of a £7.5m contribution from MRP clawback and a drawdowns of £19.9m, giving an expected year end balance of £72.0m

5.3. The current forecast contributions are in line with the budgeted £7.5m. Drawdowns from earmarked reserves are slightly higher than budgeted. This is expected as at the end of 2017/18 additional contributions to reserves were made where income was received in advance or planned expenditure was delayed until this financial year. Earmarked reserves are held for a specific purpose and will be subject to a full re-assessment as part of the budget process.

Table 5: Summary of Forecast year end position

	Opening balance	Forecast Net Drawdown	Closing Balance
Capital Investment	(22.479)	7.072	(15.407)
Risk Management	(18.239)	(0.866)	(19.105)
Ring-Fenced	(14.642)	1.656	(12.986)
Financing/Technical	(13.600)	3.543	(10.057)
Service Specific	(15.460)	2.281	(13.180)
	(84.420)	13.686	(70.734)

Flexible Use of Capital Receipts

- £6.3m has been budgeted in 18/19 for revenue expenditure which relates to delivery of savings and transformation to be funded from flexible use of capital receipts. Cabinet agreed in July that this should be directed towards to the ICT Future State Assessment work.