CABINET – 1 November 2016

EXECUTIVE SUMMARY OF AGENDA ITEM 17

Report title: Period 5 (end of August) Finance Report
Wards affected: All
Strategic Director: Anna Klonowski
Report Author: Annabel Scholes: Interim Service Director: Finance & S.151 Officer

RECOMMENDATION for the Mayor's approval:

It is recommended that the Mayor:

1. Notes the contents of the Report and in particular the seriousness of the General Fund financial position of £31.1m forecast outturn deficit, as at the end of August 2016. This represents a decrease to the deficit of £1.7m from end of July forecast;

2. And Cabinet where appropriate, continue to work with Officers in undertaking mitigating actions to bring the General Fund position closer to balance, in particular endorsing the actions to be led by the Interim Chief Executive, Interim Service Director: Finance and Strategic Leadership Team set out at paragraph 9;

3. And agrees the following in relation to the Capital Programme:
    a. To approve the movement in the Capital Programme of £62.1m being slippage from 2016/17 to 2017/18, as detailed in paragraph 30 and Appendix B;
    b. To approve the Capital Budget Proposed Adjustments of £14.1m in total, as detailed in paragraph 31 and Table 6;
    c. To note the total net movement in the Capital Programme from £270.3m to £222.3m.

4. And agrees the following in relation to the Metrobus Capital Programme:
    a. To approve the increase in budget for the MetroBus programme of £5.0m to meet the current identified budget pressures, as set out in paragraph 40 and Appendix C;
    b. To approve a further contingency of £2.1m to cover any future budget pressures, as set out in paragraph 40 and Appendix C;
    c. To approve that the additional £5.0m budget provision be funded through prudential borrowing, as set out in paragraph 41;
    d. To approve that in the event that the £2.1m contingency is required, this be funded from Transport Capital Programmes allocations and other funding opportunities such as grant and other project funding opportunities, with the specific funding decisions to be delegated to the Strategic Director: Place, in conjunction with the Service Director: Finance and s.151 Officer.

Key background / detail:

1. To provide a progress report on the Council's overall financial performance against revenue and capital budgets for the 2016/17 financial year that were approved by Council on the 16th February 2016. The report focuses on significant variances to meeting the budget in 2016/17 in order to take timely actions to deliver a balanced position at year end.

Key details:

2. Key messages from the Period 5 Budget Monitoring:

The Council is in a serious financial position forecasting a General Fund revenue position of £31.1m forecast outturn deficit before further mitigating actions or use of general reserves. This represents a decrease to the deficit of £1.7m from end of July forecast. This must be addressed now to ensure that we end the financial year in a balanced position and avoid unnecessarily making the financial challenges in future years larger.

The movement in the deficit arises from a combination of social care pressures in Children's services and ongoing validation of savings identified within the 2016/17 financial year, which have reduced the savings total considered deliverable. These pressures have been offset by reductions in forecast spend in other service areas and a release from reserves following an initial review, as detailed in the report, resulting in a net reduction on the deficit reported.

As outlined in the Quarter 1 report, the interim Chief Executive has put in place a number of activities which should bring the position closer to balance but, as yet it is too early to quantify the impact. Therefore, the financial impact of these activities is not reflected in the general fund revenue forecast for Period 5. This will be updated in future reports (see paragraph 9).

A review of the capital programme has been completed and spend to be re-profiled into future years has been identified. The total net movement in the Capital Programme is from £270.3m to £222.3m. Capital spending in year is forecast to be £224.7m compared to the current budget of £222.3m, resulting in a forecast overspend of £2.4m.

AGENDA ITEM 17

BRISTOL CITY COUNCIL
CABINET
1st November 2016

REPORT TITLE: **Period 5 (end of August) Finance Report**

Ward(s) affected by this report: All

Strategic Director: **Anna Klonowski**

Report Author: **Annabel Scholes (Interim Service Director – Finance & S.151 Officer)**

Contact telephone no. & e-mail address: **0117 9222419**
annabel.scholes@bristol.gov.uk

Purpose of the report:
To provide a progress report on the Council's overall financial performance, including against the approved revenue and capital budgets for the 2016/17 financial year that were approved by Council on the 16th February 2016.

RECOMMENDATION for the Mayor's approval:

It is recommended that the Mayor:

1. Notes the contents of the Report and in particular the seriousness of the General Fund financial position of £31.1m forecast outturn deficit, as at the end of August 2016. This represents an decrease to the deficit of £1.7m from end of July forecast;

2. And Cabinet where appropriate, continue to work with Officers in undertaking mitigating actions to bring the General Fund position closer to balance, in particular endorsing the actions to be led by the Interim Chief Executive, Interim Service Director: Finance and Strategic Leadership Team set out at paragraph 9;

3. And agrees the following in relation to the Capital Programme:
    a. To approve the movement in the Capital Programme of £62.1m being slippage from 2016/17 to 2017/18, as detailed in paragraph 30 and Appendix B;
    b. To approve the Capital Budget Proposed Adjustments of £14.1m in total, as detailed in paragraph 31 and Table 6;
    c. To note the total net movement in the Capital Programme from £270.3m to £222.3m.

4. And agrees the following in relation to the Metrobus Capital Programme:
    a. To approve the increase in budget for the MetroBus programme of £5.0m to meet the current identified budget pressures, as set out in paragraph 40 and Appendix C;
    b. To approve a further contingency of £2.1m to cover any future budget pressures, as set out in paragraph 40 and Appendix C;

c. To approve that the additional £5.0m budget provision be funded through prudential borrowing, as set out in paragraph 41;
d. To approve that in the event that the £2.1m contingency is required, this be funded from Transport Capital Programmes allocations and other funding opportunities such as grant and other project funding opportunities, with the specific funding decisions to be delegated to the Strategic Director: Place, in conjunction with the Service Director: Finance and s.151 Officer.

Background

1. The Report provides information and analysis on the Council's financial performance and use of resources to the end of Period 5 of 2016/17. Council set its budget for 2016/17 on 16th February 2016. The report focuses on forecast variances to meeting the budget in 2016/17 in order to take timely actions to deliver a balanced position at year end.

2. The Council is in a serious financial position forecasting a General Fund revenue position of £31.1m outturn deficit before further mitigating actions or use of general reserves. This represents a decrease to the deficit of £1.7m from end of July forecast. This must be addressed now to ensure that we end the financial year in a balanced position and avoid unnecessarily making the financial challenges in future years larger.

3. The movement in the deficit arises from a combination of social care pressures in Children's Services and ongoing validation of savings identified within the 2016/17 financial year, which have reduced the savings total considered deliverable. These pressures have been offset by reductions in forecast spend in other service areas and a release from reserves following an initial review, as detailed in the report, resulting in a net reduction on the deficit reported.

4. As outlined in the Quarter 1 report, the interim Chief Executive has put in place a number of activities which should bring the position closer to balance but, as yet it is too early to quantify the impact. Therefore, the financial impact of these activities is not reflected in the general fund revenue forecast for Period 5. This will be updated in future reports (see paragraph 9).

5. Future reports will include recommendations on mitigating actions, where required.

A - Revenue Expenditure

6. The Council's overall annual revenue spend is managed across a number of areas:

   a. The General Fund with a net budget of £345.4m, providing revenue funding for the majority of the Council's services:
   b. The Dedicated Schools Grant (DSG) (£175m in 2016/17), which is ring-fenced for schools funding, overseen by the Schools' Forum, and managed within the People Directorate;
   c. Public Health, a ring-fenced grant of £36.2m in 2016/17, must be spent to support the delivery of the Public Health Outcomes Framework and is managed within Neighbourhoods;

   d. The Housing Revenue Account (HRA) of £152.7m gross spend in 2016/17, is reported separately to the general fund, and is managed within Neighbourhoods.

7. Each area represents a significant element of the Council's overall revenue expenditure. Further details of the current spend position against budget is provided in the remainder of this section.

General Fund

8. Table 1 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 Interim Chief Executive, Strategic and Service Directors are actively identifying proposals to minimise the gap, with all budget holders ensuring the forecasting is as accurate as possible.

9. Given the scale of the forecast outturn deficit, officers have established a series of workstreams designed to reduce the deficit including, but not limited to:

    - A review of the capital programme, see section D;
    - A voluntary severance programme, implemented through September 2016;
    - Technical accounting adjustments;
    - Capital disposals programme;
    - Reduction in non-essential expenditure;
    - Review of income;
    - Assurance on the validity of expenditure e.g. utility bills, VAT and procurement (including contracts);
    - Vacancy freeze;
    - Review of all agency spend;
    - Series of detailed savings and budget review meetings with the Interim Chief Executive, Interim Service Director: Finance and Strategic and Service Directors to identify further mitigations, due to commence week beginning 26th September.

    It is anticipated that the outcomes of the key actions will be reported within the next finance report.

10. The following forecasts are based on actual expenditure to the end of August 2016 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 £31.1m represents 9.0% of the General Fund net revenue budget.

11. The following table provides a summary of the general fund revenue position at directorate level. A more detailed analysis is provided at Appendix A.

Table 1: General Fund Forecast Net Expenditure

General Fund Revenue Budgets - Period 5 Directorate	Net Budget £m	Forecasst Outturn £m	Forecast Outturn Variance (Under) /Over Spend £m	Forecast Outturn Variance at Period 4 £m	
People	207.3	220.6	13.3	12.4	↑
Place	18.5	25.7	7.2	8.6	↓
Neighbourhoods	70.1	69.1	-1.0	-0.9	↓
Resources	32.2	35.1	2.8	3.8	↓
City Director	3.0	3.2	0.2	0.0	↑
Corporate Savings Programme (Net Budget)	-12.2	4.3	16.6	15.3	↑
SUB TOTAL – SPENDING ON SERVICES	**318.9**	**358.1**	**39.2**	**39.1**	↑
Other Budgets *	26.5	20.2	-6.3	-6.3	
Released from Reserves	0.0	-1.8	-1.8	0.0	↓
TOTAL	**345.4**	**376.5**	**31.1**	**32.8**	↓

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

12. There has been an increase in the forecast outturn deficit within Children's Services and against the corporate savings programme, which have been offset by reductions in forecast spend in Place and Business Change and a sum released from reserves. The following sections provide more detail of the main variances and any mitigating actions being proposed.

12.1 People Directorate - £13.3m Pressure

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
People Directorate	462.2	-254.9	207.3

The major areas of identified pressures within the People Directorate are within Social Care. The reported position of £13.3m is after mitigating actions identified through the corporate workstreams have been taken into account and represents a £1.1m increase since Period 4, which is mostly in the area of Care & Support Children.

Care & Support Adults - £5.8m Pressure:

There continues to be significant pressures from demographic growth in demand for services. This is due to the increasing numbers of frail older people, people living longer with dementia and increasingly people living longer with lifelong conditions which require significant input from health and social care services. The Care Act 2014, which came into force in April 2015, has led to significant increase in demand. The Care Act placed a duty on Councils to offer carers an assessment of their need, which changed previous legislation where carers had a right to ask for an assessment. There is some evidence that adult social care is managing demand.

There has been particular pressure on the residential and nursing care budgets, which manifested itself in Period 4, and was described in that report.

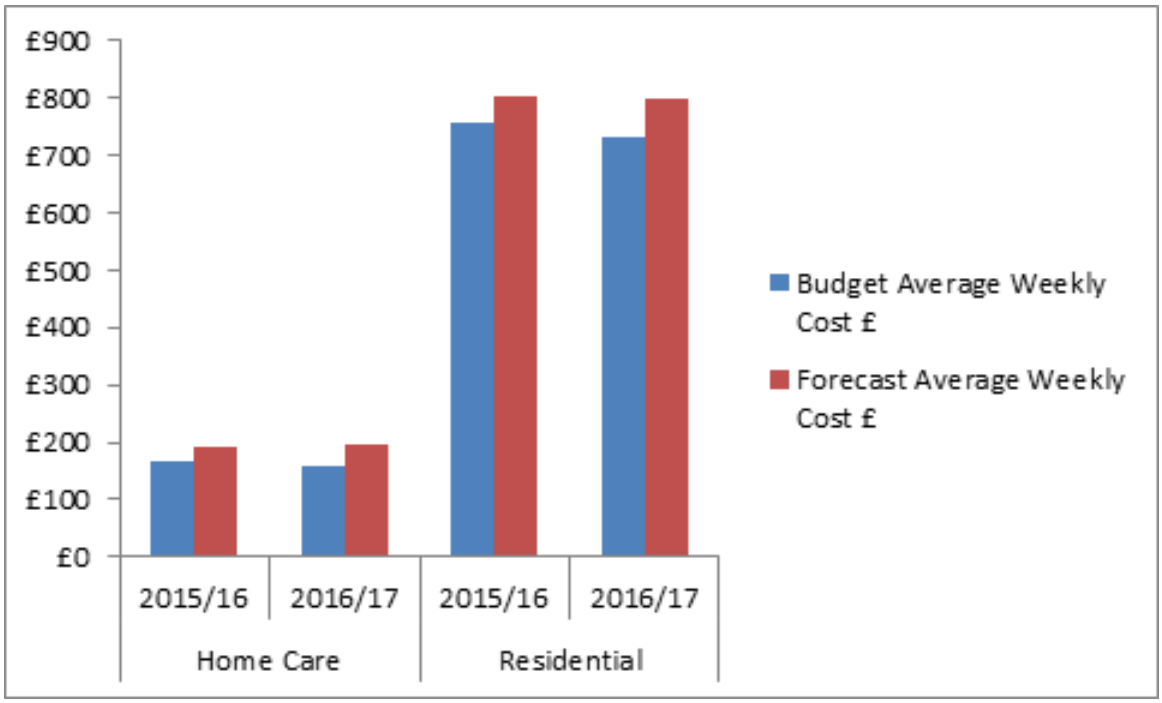
Forecast placement costs have increased and lack of alternatives has meant that providers are asking for higher fees. Specifically, People With Dementia (PWD) Nursing placements are regularly quoting £1,000 pw or above and there are no suitable alternatives available due to lack of capacity. Currently there are 3 dementia beds available from providers with whom we contract.

PWD Nursing requesting one to one support on top of fees, usually due to risky / threatening behaviours. Providers are known to serve notice, which is a challenge as we do not have capacity to move people to. These scenarios require a great deal of negotiation and challenge but sometimes are the only option available and very high risk. There is evidence that adult social care is managing demand in terms of numbers, increasing complexity and acuity of need, and therefore the cost of care packages remains a very significant challenge. We have put in place new controls around the duration of the additional support, with each additional top up of a care package being time limited.

Difficulty in procuring home care has led to the need to make more care home placements if Service User is at high level of risk or carer unable to continue to support - there are currently 70 people awaiting a home care package with about 700 hours outstanding. Home Care spend reduced by £200k so we are placing people in Residential and nursing care as alternative to home care.

The following chart shows the increase in both residential and home care placement costs for 2016/17 to date, compared with 2015/16:

Chart 1: Budget v. Forecast Average Weekly Cost in Care & Support Adults



We continue to monitor the impact of Discharge to Assess - are people leaving hospital for the final stage of their care getting stuck in residential or nursing as the capacity in home care means we can't move people on. There continues to be pressure from the NHS to discharge people.

The Council is working hard with our partners to ensure that people leaving hospital are supported to return home as quickly and safely as possible and protecting services to ensure this is a key priority, as is working with the NHS in Bristol to ensure that funding is in place to support this ambition.

The Supreme Court (DOLS) judgement in March 2014 continues to reverberate and add significant pressure to the adult social care budget. The Council must ensure that people who are not able to make decisions about their care, for example some people with dementia, learning difficulties or mental ill health are properly supported to express a view about their care and treatment and are lawfully detained with the least restrictive measures in place to meet their needs safely. The increase in the number of Mental Health Act assessments (assessments where people are in severe mental health crisis which poses an immediate threat to themselves or others) has led to a rise in funding long term packages of care under Section 117 of the Mental Health Act. This represents a significant cost pressure to both the NHS and Council.

The very significant work being undertaken to commission services differently is vital in supporting the delivery of a balanced budget. A better, more productive relationship with the local care market is envisaged. Recommissioning of Home Care, Residential and Nursing Care and Community Support Services are seen as key to ensuring we have services which deliver value for money, increased quality and better outcomes for service users and carers. Addressing workforce challenges going forward is vital for the NHS and Council and speeding up the integration between health and social care is a vital component of the Better Care Bristol plan.

The Adult Care DMT and Senior Leadership Team review adult social care budgets, including benchmarking with core cities and regional authorities to both manage spend pressures whilst also planning for meeting the statutory eligibility requirements of the Care Act and growing ageing population in the City. This is the area of highest spend in all local authorities and there are national concerns about the pressure on reducing overall local authority budgets to meet growing demand and eligibility.

Care & Support Children & Families- £3.4m pressure:
Budget pressures are being faced in Children in Care. Whilst the numbers of Children in Care have remained around 700 over the last five years, against a rising child population, the average unit cost has increased due to an increase in the number of out of authority placements from an average of 26 during 2014/15 to currently 41, resulting in budget pressure of £2.5m.

There also continues to be a significant pressure as a result of increases in special guardianship orders (SGOs) and residency orders (ROs). The number of SGOs and ROs has increased from 375 in 2014/15 to just fewer than 500 in 2016 resulting in a budget pressure of £1.8m.

Early Intervention & Targeted Support - £3.6m pressure:
The majority of the pressure in this area is as a result of increased costs for "Preparing for Adulthood" Placements. These are services for young people with more complex disability and Special Educational Needs which Local Authorities now have a duty to support until 25 years old.

There is also a pressure within the Home to School Travel budgets as the third year of planned savings are not yet being delivered.

The main areas for planning and mitigation are:
The People Directorate have increased restrictions of recruitment to vacancies to help mitigate the budget pressures, it is acknowledged this has high risks and isn't a sustainable solution. Recruitment to vacant posts will be assessed to determine the absolute necessity. In addition, the directorate will be reviewing all non-pay related expenditure with a view to managing spend down in these areas.

Care & Support – Adults have implemented a significant review of vulnerable adults in receipt of home care. The Strategic Director (People) is continuing the review of social care budgets, including benchmarking with core cities and regional authorities to manage:

- spend pressures whilst also planning for meeting the statutory eligibility requirements of the Care Act;

- growing ageing population in the City, the area of highest spend in all local authorities.

There are national concerns about the pressure on reducing overall local authority budgets to meet growing demand and eligibility.

There are recommissioning exercises for Community Support Services, Residential and Nursing Care and Out of Hours Home Care to ensure commissioned services represent best value for money.

Significant work is being undertaken to embed a model of care that ensures citizens are supported to maintain their independence as long as possible where appropriate by improving our information, advice and guidance and ensuring conversations with citizens is focussed around care that builds on the strengths and abilities of people, their families and their local communities.

The impact of the remodelling of Children Social work is expected to reduce the upward trend of spend within the children in care (CiC) and care after. The number of Children in Care has maintained at around 700 despite an increasing local population. Within Care and Support – Children's, the redesign of the social work function and investment in early help are targeted at reducing the number of looked after children in the medium to long term, but the directorate is reviewing spend to mitigate the impact of and manage the increased demand of rising child population.

A panel has recently been established to strengthen the existing review processes for all residential placements on a regular basis to make sure only children who need to be in care are, and to safely minimise placement cost and duration.

New incentives in fostering are being used to increase the capacity of in-house foster carers to ensure the most appropriate forms of care are used rather than being constrained by capacity.

12.2 Place Directorate - £7.2m Pressure

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
Place Directorate	108.9	(90.4)	18.5

The directorate is reporting a £7.2m variance to budget, which consists of a £9.0m pressure within Property offset by surpluses or underspends of £1.4m in Transport, £0.2m in the Place Admin & Business Support (ABS) team and £0.3m in Planning. Economy and Energy are on budget. This represents an improvement of £1.4m since Period 4.

Economy – On Budget
The reported position for Period 5 has improved by £0.4m since Period 4. The forecast has been adjusted to take account of the agreed amendment to Museum Opening hours agreed by Cabinet on 6th September 2016. This will result in a £0.2m saving in year and a whole year saving of £0.4m which will bring the team back to base budget. In addition, expenditure on grants has been reduced in the current financial year to mitigate the spending pressures.

Energy – On budget
There is anticipated to be a shortfall in rechargeable income from the HRA and Trading for Schools in the Energy (utility) Purchase budget. This is due to the Energy price reduction in recent years being captured as a corporate saving without any corresponding reduction in income target for the energy service. This presents a net pressure of £500k this year. There are also income shortfalls in District Energy / Biomass (£58k) and Solar (£115k) partly offset by prudential borrowing savings in Wind Energy (£140k). A one-off saving of £500k is now anticipated as a result of the Green Deal revenue contribution to offset these pressures in the current year.

Place Admin and Business Support (ABS) Team - surplus £0.2m
There are forecast savings against salary budgets in the Admin and Business Support (ABS) service of £0.2m.

Property - pressures £9.0m
The structural pressure in the Property service largely relates to a forecast £7.7m shortfall in the delivery of the MTFS savings target (relating to 2015/16 and 2016/17), which broadly assumed savings in the following areas:

- Increased return on investment property holdings;
- Reduced running costs from the disposal of admin buildings;
- Reductions in facilities management costs.

There is a £600k facilities management overspend that partly relates to unachievable internal trading income for waste management.

There is a £153k forecast overspend against the budget for National Non Domestic Rates (NNDR) due to the absence of ongoing funding for M-shed and Junction 3 when these buildings were constructed.

There is a £125k forecast shortfall in income against the budget target for Markets as a result of an historic revenue target, which has not been met for the last 5 years.

There are £100k costs due to increased workload in Security/ staff sickness/ vacancies and an urgent review is in hand to mitigate this.

There is a £100k shortfall in income at the Create centre resulting from loss of external tenants due to reduced parking; a letting rationalisation is underway to mitigate this.

There is a £75k shortfall in conference services income from the Passenger shed (old station building Temple Meads) due to its poor condition, but the position is expected to improve.

Planning - surplus £0.3m
In the Planning division there is a forecast surplus of £0.3m and this is largely due to increased income from Development Management fees as well as from savings plans being implemented.

Transport - surplus £1.4m
There is a net surplus position in the Transport division of (£1.4m) in total as a result of additional income in Parking Services (£1.0m), non-recurrent underspend in Highways (£350k) and savings from Supported bus services (£200k), reduced by additional costs in Park and Ride services (£150k) and in concessionary travel (£50k).

12.3 Neighbourhoods – (£1.0m) Underspend

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
Neighbourhoods	325.7	(255.7)	70.0

The main variance in this area relates to Waste (£1m) due to accrued expenditure from the previous year, which is no longer required. The forecast underspend of £1.0m represents a small improvement on the position reported in period 4 of £0.9m.

The forecast pressure within Citizen Services relates to an error in setting of income targets within regulatory services, including Pest Control (£0.2m) and Trading Standards (£0.1m). The Service is taking measures to address this and since the close of quarter 1 have identified additional income of £150k to offset this. The remaining pressure relates to Licensing and work is being undertaken to analyse current expenditure against licensing income.

Rising demand for emergency accommodation is giving rise to £0.5m overspend in General Fund Housing Services. This is offset by savings which include additional income from licensing and service and accommodation recharges, giving an overall underspend of £0.4m

12.4 Resources - £2.8m Pressure

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
Resources	51.2	(19.0)	32.2

The main variance within Resources is within the ICT Service. This 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. The overall pressure of £3.7m represents a reduction of £0.3m since quarter 4, which is mainly as a result reductions in the ICT forecast.

The overall forecast pressure for Business Change of £2.8m represents an improvement of £1m since Period 4. The forecast position has improved across all service areas.

ICT – Pressures £3.7m

In Period 5, the ICT budget pressure was reduced by £292,000.

The total movement was due mainly to the following items:

Reason	Detail	Value
ICT Support Costs	Reassessed forecast of Hardware & Maintenance costs, including £376k of new costs. Significant new items include: • Risk Based Verification Software £67.3k • Recruitment Module 2nd year costs £61.3k • Continuation of Selima Payroll/HR. £199k Measures being taken to seek funding for these items.	+£546,000
Reduced employee costs	Employee cost savings	-£272,000
Reduced employee costs	Deletion of posts in Digital Transformation service following Voluntary Severance and resignations	-£255,000
Revised income	Revised income forecast from Trading With Schools	-£124,000
Reduction in Digital Transformation supplier costs	Review of systems identified opportunity to cancel one support contract from November saving £15k per month.	-£60,000
Digital Transformation contract staff	Failure to appoint to several key roles within the service requires continued cover by contract staff to mitigate risk of non-delivery of digital services and ensure support for fault-fixing. Most contractors will leave the service at the end of October, with all going by end December 2016.	+£31,000

Reduction in Digital Transformation recharges to Change Programme	Reduction in Digital Transformation posts above also results in reduction in balancing recharges	+£53,000
Reduction in Interim Service Director costs	Interim Service Director leaving contract early, reducing forecast costs	-£97,000
Forecast savings ICT Sourcing Programme	Reduction in ICT Sourcing Programme costs mainly relating to forecast of (£100k) income from Guidant	-£100,000

Active mitigation

The ICT management team have investigated opportunities for mitigation and further cost reduction. This has resulted in the following actions:

Application Rationalisation Working Group:

ICT have set up an Application Rationalisation Working Group, this has three functions:

a. Dedicated, line by line analysis of ICT Application licence and support costs for 2016/17 savings;
b. Analysis and validation of ICT Manager's 2016/17 budget savings proposals from ICT Application licence and support costs;
c. Informing and guiding the service for further savings in 2017/18.

The Group report their forward plan into the Contract Review Board.

In year contract management:

CSRM monitor all ICT managed contracts, in-year for best value. To ensure that this work is actioned by ICT Managers, CSRM produce a monthly report to be reviewed at the ICT Management Meeting. ICT Managers will be expected to reflect CSRM's savings in their end of period budget reports, for review by the ICT Service Director with the Finance staff.

Addressing previous under-delivery:

The ICT Sourcing programme has been reported as having a budget pressure of circa £1.3m. This is being reviewed by ICT, working with Finance, to address this and identify any reductions against this forecast.

Ongoing activities to avoid increasing pressure on ICT budget

Pressure incurred from other service areas:

ICT, with assistance from Finance, has put in place governance to pursue budgets from other services areas where their activities would have previously created budgetary pressure on ICT. If no budget is found to be available, issues will be escalated through Business Change DLT for an executive decision.

Tightened ICT project governance:
ICT project governance has been tightened and all ICT projects, from within ICT or from the business, are subject to two layer governance, once from ICT then again via the PMO. The ICT Service Director now also reviews all weekly ICT project report summaries.

Risks with major budget impact identified

The following is a summary of risks that have been identified to the current budget position within ICT. 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 from reserves or contingencies.

- Unexpected business demand, such as a result of an Ofsted, or other regulatory body, inspection. (For example requiring issue of laptops, tablets);

- Any remedial actions that may be required to achieve compliance with connection standards, e.g. PSN, PCI;

- 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;

- Remedial actions in event of serious incident or natural event , (e.g. terror attack/fire/flood), resulting in loss of hardware and subsequent replacement costs;

- 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);

- Remedial actions in event of Data Breach or Loss;

- Remedial actions in event of major supplier commercial failure. (Steven already has this in his list);

- Software Development & Support Service is releasing contractors and switching to internal staff from November 2016, but demand for digital delivery and integration of packaged applications from council services remains higher than capacity. Retaining one additional team of external resources would cost approx. £150k per quarter.

Human Resources – Surplus £0.5m
Human Resources is currently reporting a forecast of £0.5m underspend. This mainly relates to £485k savings within STS HR relating to unfilled vacancies and additional savings released within this service area. A further £60k underspend within Redeployment is offset by a pressure within Admin Business Support of £49k relating to salaries and early retirement plus other minor variances.

There is a variation of £345k saving from Period 4 to Period 5 and this mainly relates to a full review of the staffing budget and the details are shown as follows:

- HR (£324k) additional savings mainly due to unfilled vacancies to date and savings within the marketing/advertising budget;

- Graduate programme with a further (£16k) savings;
- Holiday purchase scheme increase of estimated income of (16k);
- Inclusion of Media/PR and Marketing to the HR structure with savings of (£20k);
- Offset by increased expenditure with Occupational Health of £30k

Risks identified

- Unfilled vacancies plus staff leaving through VS will deliver savings but may increase workplace pressures
- 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 income target is not realised. Also, staff leaving on VS who are in the scheme will cause loss of income in the current year

Legal Services – On Budget
Legal Services are currently reporting an outturn forecast variance that is broadly on budget. However, as the spend is demand led and is dependent on cases brought against and by the Council, there is the risk that spend will fluctuate and the forecast will change through the year.

Finance – On budget
Finance continue to review spend on the service budget to minimise the outturn forecast spend. As previously reported though the Finance Transformation work must continue and will be funded from reserves earmarked for this purpose.

12.5 City Director - £0.2m Pressure

2016/17 Budget	Gross Expenditure £m	Gross Income £m	Net Revenue Budget £m
City Director	3.6	(0.6)	3.0

The Directorate is forecasting a pressure of £0.2m which mainly relates to the cost of one off payments paid to employees offset by savings within the employee budget. There are additional cost pressures in year as a result of the cost of running elections, but these will be managed over a period of years through an offsetting arrangement, whereby budget is set aside in non-election years to fund election years.

12.6 Corporate Savings Programme - £16.6 Pressure

The current forecast pressure of £16.6m represents an increase of £2m since quarter 4. The reason for this is twofold. Firstly, a review of forecast salary savings has taken place. Most salary saving forecasts estimated savings taking effect from 30th September 2016. The council is awaiting the general fund budget effect of the voluntary severance programme (taking place through September 2016) and therefore it is considered prudent to revise the effective date of these savings. Secondly, a number of savings will take longer to delivery (e.g. due to decision making requirements) and these have been re-profiled to take into account the future delivery date and expected outcomes.

At the beginning of the financial year, the Council had a savings target against the Change Programme of £34.7m, which comprised £15.2m undelivered savings from 2015/16 and £19.5m relating to 2016/17. For the purposes of this report, we have shown a net figure. The following table provides estimates of the forecast savings delivery.

Table 2: Summary of Net Corporate Savings Programme Budget Position

	£m
2016/17 Change Programme Savings	19.5
2015/16 Undelivered change programme savings	15.2
TOTAL	**34.7**
Less:	
Savings Identified/Secured to address the gap	8.8
Release of Contingency	6.3
TOTAL TO BE IDENTIFIED	**15.1**
Overspend against change programme expenditure	1.5
TOTAL CHANGE PROGRAMME	**16.6**

The Council has initiated a Council Wide programme of activities and work streams to specifically focus on delivering the savings needed in the current financial year. This has included:

- A review of all spend against corporate budget lines resulting in reduced budgets across areas such as staff expenses, conference and training budgets, printing etc.;
- A review of all vacancies to delete any vacant posts that are no longer required, resulting in budget reductions;
- All services and directorates developing and preparing savings proposals for delivery through the remainder of this financial year;
- A contingency was included in the original programme to mitigate against risks of non-delivery of savings or savings double counts. This has been released;
- A review is underway of all the Council's service directorate earmarked reserves.

As savings are validated, budgets across services and directorates are being reduced to secure these savings. During Period 5, there has been a reduction in the level of identified / secured savings due to:

- Amendment of the effective date for salaries savings delivered through the Voluntary Severance Programme already assumed;
- Ongoing validation of savings identified within the 2016/17 financial year, which have reduced the savings total considered deliverable.

Within this budget line, there is investment required to facilitate the delivery of some of the savings. There is a current forecast overspend of £1.5m against these items, which includes the delivery of IT solutions. As part of the current programme of activity and to mitigate this overspend, all current planned expenditure is subject to review.

The reported pressure in this area mainly relates to savings yet to be identified.

12.7 Other / Corporate Budgets – (£6.3m) Underspend

The forecast underspend in Period 5 has remained as £6.3m. The main budget in this area is the capital financing budget of £19.3m. It is currently forecast that this budget will be underspent by £4.1m as a result of re-profiling of the capital programme. This area also includes certain contingency budgets and other expenditure budgets of a corporate nature, including expenditure on levies.

The general contingency included in other budgets stands at £2.8m. This is held as a contingency to cover miscellaneous cost pressures across all service areas. Proposed current usage of the contingency was reported in the Period 4 report and is summarised in the table below:

Table 3: Summary of General Contingency

	£m
Quarter 1 Contingency Balance	2.8
Forecast cost of workforce court ruling	(0.5)
Support to Children's Service as part of Ofsted Improvement plan	(0.3)
Period54 Contingency Closing Balance	**2.0**

The remaining contingency is reduced to £2.0m and it is assumed that this will be required by the end of the financial year.

The Council receives an annual dividend in relation to the Port. This is budgeted to be £1.5m per annum. As previously reported, indications are that the dividend for this financial year will be higher than this and therefore an additional £0.5m has been included in the forecast. Further updates will be included in future reports.

Dedicated Schools' Grant (DSG) (Included in Directorate analysis above)

13. In 2016/17, the Council will receive £175m Dedicated Schools' Grant, which is ring-fenced and passported through to fund schools. Schools that have transferred to academy status receive their funding directly from the Department of Education – this amounts to a further £137.9m.

14. There continues to be pressures against the high needs block, which is forecast to be c£4.7m in the financial year, which includes brought forward pressures from 2015/16 of £1.9m. There has been significant pressure on the "Top Up" element of the high needs block during 2015/16 and into 2016/17, as a result of:

    a) there has been an increase in the level of demand of pupils requiring "Top Ups", by 9% in Primary Schools (£0.5m) and 20% in Secondary Schools (£1m);

    b) there has been a 52% increase in pupil exclusions within the secondary sector which has resulted in an increase of spend within pupil referral units of £1.0m to accommodate these pupils;

    c) the service implemented a minimum banding level within special schools to provide a more stable budget however this resulted in an increase spend of £1m.

15. The service is undertaking significant level of work in conjunction with Schools Forum in order to manage this budget:

    a) In April the top up rates were reviewed and reduced across mainstream schools which has been followed by a further reduction in September, generating a total annual saving of £2.1m

    b) an inclusion panel has been created with the aim of reducing pupil exclusions;

    c) special school and Pupil referral unit budgets have also been reviewed, top up and site specific rates have been cut by 5% which will generate an annual saving of 600k, further work is planned to continue review of special schools and also resource bases.

16. The balance on the DSG will have to be managed through the DSG and should therefore have no effect on the Council's general fund budget.

Public Health

17. The ring-fenced Public Health service is currently forecasting an overspend of £2m. This is mainly due to a government in year cut of the grant of 7.6% in year during 2015/16 and further 2% cut to the grant this year. As a reduction in the grant was anticipated, Public Health are managing this overspend to prevent impact on service delivery through the Public Health reserves built up for this purpose. The reserve currently has a balance of £4.8m and is as a result of underspends in previous years. Therefore, there is no impact on the general fund of this overspend in this financial year. However the service is currently undertaking a thorough financial review to ensure that delivery is brought within the new budget envelope, reflecting key priorities.

Housing Revenue Account (HRA)

18. The following is a summary of the HRA budget position as at the end of Period 5. Further detail is included as part of Appendix A to the report.

Table 4: Housing Revenue Account Budget Forecast

HOUSING REVENUE ACCOUNT - Period 5	Gross Exp £m	Gross Income £m	Revised Net Budget £m	Forecast Outturn £m	Forecast Outturn Variance £m
Strategy, Planning & Governance	24.5	-131.3	-106.8	-107.5	-0.6
Responsive Repairs	47.5	-17.4	30.1	30.6	0.5
Planned Programmes	18.1	-1.3	16.8	15.3	-1.5
Estate Management	16.5	-2.2	14.2	14.1	-0.1
HRA Financing & Funding	46.2	-0.5	45.7	45.7	0.0
HOUSING REVENUE ACCOUNT TOTAL	**152.8**	**-152.8**	**0.0**	**-1.8**	**-1.8**

19. There is currently a forecast underspend within the HRA of £1.8m. This is the result of

the following budget variances:

- Savings released in Strategy, Planning and Governance through staff vacancies and reductions in overhead/operating budgets;
- There are pressures in responsive repairs due to greater than budgeted relets (£0.5m), with these being offset by staffing savings in Admin and Business Support, Contractor issues has also lead to some delays, resulting in £0.3m underspend;
- The Investment Review Plan (in response to imposed rent reductions and anticipated loss of income to the HRA arising from welfare benefit and other reforms) has reduced the volume of planned works resulting in a saving against budget;

20. Any under or overspend at the year-end will increase or decrease the HRA Reserve and therefore this does not impact on the General Fund. However, the impact of the 1% rent reduction and other proposed government changes mean that the current HRA Business Plan is not sustainable in the long term. The Business Plan is being re-calibrated to reflect what is a very financially challenging future.

B - Managing Savings

21. To ensure that there is transparency and clarity in relation to the source of savings (from which department and service area from which the saving is to be delivered) and avoid any possible double counting etc, we will in future monitor a single savings tracker. This will be reported under each directorate and will be risk assessed for full delivery within the planned timescales.

22. Due to the severity of the forecast outturn variance (potential deficit of £31.1m), the Interim Chief Executive, supported by the Interim Service Director: Finance (s.151 Officer), have put in train a number of actions as outlined in paragraph 9.

C - Reserves

23. The balance on the general reserve will be reviewed annually in setting the budget and in the context of the MTFS and the risks to which the Council is exposed. The balance on the General Reserve is £20m and at present the Interim Chief Executive and Interim Service Director: Finance (s.151 officer) are taking all appropriate actions to avoid any utilisation in 2016/17. This will be kept under constant review.

24. At the start of the financial year the Council had general fund earmarked reserves of £106m. Some of these reserves will be spent during this financial year, others are set aside for specific purposes to be incurred in future periods.

25. Members should note that there is a need for a finance transformation programme which will address areas such as the core financial system, financial processes and areas of technical financial matters to provide a stronger platform for council moving forward. This will be funded from the Operational Reserve.

26. A review of all existing earmarked reserves is being concluded and where reserves are

identified as no longer required for the purpose that they were earmarked, they will be released to the Operational Reserve. An initial high level review has identified £1.8m that can be released from reserves, and this is reflected in the forecast reported in Table 1. Full details of the review will be reported in the next report.

D - Capital Programme

27. 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 previously reported, Responsible Officers have been challenged on the projected variances, and this is reflected in the forecasts reported as at the end of Period 5, being a forecast £2.4m overspend. Monitoring indicates that capital spending in 2016/17 will be £224.7m compared to the latest revised budget of £222.3m.

28. The following table sets out a summary of the proposed capital programme changes and forecast spending by Directorate. Additional detail is provided at Appendix B. It is important to note that the presentation of the capital programme will be reviewed as part of the review referred to in paragraph 30 below.

Table 5: Capital Programme Forecast Expenditure & Financing

	Period 4 2016/17 Budget £m	Capital Review Re-profile of budget to 2017/18 £m	Capital Budget proposed adjustments £m	2016/17 Combined Budget £m	2016/17 Forecast Outturn £m	Forecast Outturn Variance £m
People	38.1	(1.9)	3.0	39.2	39.6	0.4
Place	131.4	(54.2)	11.1	88.3	89.2	0.9
Neighbourhoods	10.5	(0.7)		9.8	11.0	1.2
Business Change	24.0	(5.3)		18.7	18.7	0.0
Housing Revenue Account	56.0			56.0	58.0	2.0
Corporate	10.3			10.3	8.2	-2.1
Totals	**270.3**	**(62.1)**	**14.1**	**222.3**	**224.7**	**2.4**
Finance By:						
Prudential Borrowing				79.7	79.8	0.1
Capital Grants				67.7	67.7	0.0
Capital Receipts				5.0	5.3	0.3
Revenue Contributions				13.9	13.9	0.0
Housing Revenue Account (Self-Financing)				56.0	58.0	2.0
TOTAL CAPITAL FINANCING				**222.3**	**224.7**	**2.4**

29. The actual capital spend to the end of Period 5 is £61.3m (28% 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 (31st August 2016) is low compared to the current budget for the financial year, and is below the year to date budget of £92.6m.

30. The Capital Board has met to undertake a Strategic Leadership Team review of the forecasts to identify any potential slippage into 2017/18. This has identified a total of £62.1m that can be re—profiled into 2017/18, as indicated in Table 5. Appendix B provides a further breakdown of this slippage by programme. This re-profiling of the capital programme will not reduce the capital financing costs in this financial year, but will have the potential to reduce the forecast capital financing costs in future years. These changes are recommended to Cabinet for noting and approval.

31. In addition, the following variations to the Capital Programme were considered by the Capital Board. These changes are recommended to Cabinet for noting and approval.

Table 6: Capital Budget Proposed Amendments

People		**£m**
-	Education Capital Programme new funding for agreed additional works to increase pupils that are partially externally funded, including the expansion of Bristol Free School £2.4m and Redland Green Secondary provision £0.6m.	3.0
Sub-total People		**3.0**
Place		**-**
-	Transport - new £1.514m grant awarded from the Local Enterprise Partnership (LEP), part of the Local Growth Fund available to the West of England to fund 3 Transport schemes in Bristol profiled in 16/17 and 17/18.	1.2
-	Energy services - first year budget allocation to progress the installation of the City Centre Heat Network Phase 1 capital scheme, part of a £5m budget envelope of which the majority is profiled to be spent and delivered in 2017/18.	0.8
-	Filwood Green Business Park additional funding secured from the European Regional Development Fund (ERDF) and Revolving Investment Fund (RIF).	1.0
-	Note the inclusion of the acquisition of Cattle Market Road as part of the initial development to enable the Arena Island and Arena major projects to progress as approved on 7th April 2015.	6.5
-	Colston Hall - £1.6m funding approval obtained by June Cabinet on investment in design work on Colston Hall Phase II funded by prudential borrowing. Please note, if May 2017 cabinet decide not to proceed further with the overall capital project (current cost estimation at £48.8m, of which the Council is expected to contribute £10m), the £1.6m design costs would become an immediate revenue pressure in 17/18.	1.6
Sub-total Place		**11.1**

32. As at the end of August 2016, there is a forecast net overspend against the Capital Programme of £2.4m, against an overspend of £3.2m at the end of Period 4. The following is a summary of the significant areas where budget pressures have been identified:

32.1 Housing Revenue Account – Forecast Variance £2.0m Overspend

There are projected overspends (£3m) in "Investment in Blocks" projects due to works showing greater than expected costs and slippage from previous years and spend in 2016/17 on Biomass Projects (£0.5m). These have been offset by reducing expenditure and delaying projects in some areas, including on low rise cladding and laundries (£3.8m).

In addition, there are projected overspends (£1.9m) in New Build and Land Enabling projects, mainly due to procurements issues causing delayed starts in 2015/16.

The overspend in this area will be funded from the Housing Revenue Account.

32.2 Energy Services – Forecast Variance £1.6m Overspend

There are forecast overspends mainly within Warm Up Bristol.

32.3 Housing Services (General Fund) – Forecast Variance £1.5m Overspend

The overspend is mainly in the area of Housing Adaptations, including Disabled Facilities Adaptations. Additional grant funding, Disabled Facilities Grant, is expected to the received to fund this expenditure and the impact of this will be reported in future updates.

Corporate ERP Project

33. A project to deliver an integrated employee resource application to replace the finance, HR and Payroll systems, commenced in December 2014. To date we have been unable to go live with the product. We are in the process of commissioning a review to gain an independent perspective of the issues and challenges. Whilst commissioning this review we continue to have discussions with the external supplier and systems integrator.

34. As a result of the delay and to avoid the risks of the finance system becoming unsupported we are upgrading the finance system and extending the contract for the current HR and Payroll systems. This will incur additional expenditure above that which has been budgeted for and has yet to be factored into the forecasts. The impact of this will be reported in future updates.

Metrobus Programme

35. In 2015, the estimated cost for the whole MetroBus project was £203.4m. This was an increase of just under 4% compared to programme entry in 2011. Table 7 below compares the cost estimates for each scheme as reported to the Project Boards on July 10th 2015, compared to the estimated costs at programme entry in 2011. Included within the budget for each project is a risk allowance to cover for unplanned increases in cost due to changes in inflation and other cost increases resulting from changes to the projects. The current total risk allowance included is £13.1m (of £203.4m).

Table 7 – 2015 Metrobus Estimated Costs by Scheme

Scheme	Estimated Cost at 2011 £m	Estimated Cost at 2015 £m
North Fringe Hengrove Package (NFHP)	101.6	101.9
Ashton Vale to Temple Meads (AVTM)	49.3	54.5
South Bristol Link (SBL)	44.6	47.0
TOTAL	**195.5**	**203.4**

36. MetroBus is funded by the three partner local authorities and grant funding from the Department for Transport (DfT). This grant is worth £113.296m. Of the 2015 estimated cost, the cost applicable to Bristol City Council is £45.7m and the following table sets out the funding that has been approved by cabinet through the life of the Metrobus programme.

Table 8 – Metrobus, Summary of Bristol City Council Funding

Source of Funding (BCC)	Amount £m
Community Infrastructure Levy	5.0
Local Transport Plan	2.7
Prudential Borrowing	27.7
Bristol Futures	10.0
Cycle Ambition Fund	0.3
TOTAL	**45.7**

37. An analysis of cost pressures and risks for the three projects was undertaken in September 2016, with an assessment of forecast outturn costs above budget at three sensitivity levels. The mid-point, S2, gives a value for a risk on the basis that it has a 50% probability of occurring, the lower-point, S1, a 30% and the upper-point, S3, an 80% probability of the risk occurring. The mid-point approach is the one normally taken by Government in assessing scheme costs. Under this analysis only known current risks are analysed. AVTM and SBL have a good understanding of current risks and costs, as these projects are much more defined and construction more progressed. This is reflected in the fact that the forecast budget pressures for both of these schemes have only increased by 1% since July 2015 forecast cost outturns. NFHP is less advanced and forecast cost pressures are more difficult to define, this being reflected in the increase of 11% for NFHP over the same period.

38. The significant cost pressures have arisen as follows;

a. Protester Action and increased security across the programme;
b. AVTM - Network Rail design change requirement for AVTM as well as higher amounts than expected of non-inert materials found during construction, unforeseen ground conditions and a new foundation design has been required for AVTM to pass under an existing heritage structure owned by Network Rail;
c. NFHP cost increases across all of the main construction contracts, but mainly the M32 junction and bus lane, City Centre, Bradley Stoke Way and East Fringe.

39. As a result of these pressures, the Mid Point Forecast Outturn Cost of the whole project is now estimated to be £215.9m, (compared to £203.4 in July 2015). A breakdown of these costs is included at Appendix C. However, this assessment is based on known costs, and therefore, it is not unreasonable to make further provision for costs pressures over and above the 50%, level 2 assessment.

40. Based on the agreed Joint Promotion Agreement shares for each local authority, Bristol City Council's share of this additional cost is £5.0m (at level 2) rising to £7.1m (at level 3), details are included in Appendix C. It is recommended that additional capital provision for the Metrobus programme be made for an initial amount of £5.0m, with a further contingency of £2.1m being made available (up to level 3), in the event of additional risks being identified.

41. It is proposed that the initial £5.0m additional budget requirement be funded from prudential borrowing, with the revenue costs being funded from corporate capital financing budgets. The estimated annual debt financing costs for the £5.0m will be £261k assuming an asset life of 25 years and cost of borrowing of 2.1%. This will need to be built into the capital financing budget for 2017/18 onwards.

42. Should the additional £2.1m contingency be required, this should be funded from existing Transport Capital Programmes allocations and other funding opportunities such as grant and other project funding opportunities

Capital Receipts

43. The assumed level of Capital Receipts to support the general fund element of the Capital Programme (excluding HRA) is £5m pa. The current disposal programme estimates general fund receipts of £5.3m for 2016/17, £18m for £2017/18 and £14m for 2018/19.

Capital Financing

44. The capital financing assumptions are detailed in Table 5 above. As part of the overall review of the capital programme already referred to, the capital financing assumptions and the future revenue implications will be revised. However, with a programme of this size, it is unlikely that there will be future underspends on the capital financing budget, and therefore the contribution being made towards the 2016/17 forecast outturn variance should be assumed to be a one-off position.

E – Managing Income

45. Collection rates for both business rates and council tax are broadly on target. However, for future reports officers will provide further information to confirm the actual position and highlight any upsides or downsides resulting from current performance. Officers are closely monitoring business rates appeals applications. The Council has received applications from a number of health care trusts for mandatory charitable rates relief. In line with advice from the Local Government Association, all claims have been rejected and, to date, no counter applications have been made. The trusts are continuing to pay their business rates.

F - Treasury Management

46. No borrowing has been undertaken to date during 2016/17. Net debt (borrowing less investment) has increased by £25m between the 31st July and 31st August from £261m to £286m, due to an expected change in grant income.

47. The average level of funds available for investment purposes during the first five months of the year was £172m. The return for period was 0.60% compared to the recognised benchmark of 0.31% (7 day Libid).

48. In addition the Council's agreed policy is to defer borrowing while it has significant levels of cash balances (£128m at 31st August 2016). This strategy is prudent as investment returns are low and counterparty risk is relatively high. However, due to the significant change in the financial markets and fall in interest rates due to the referendum long term borrowing rates are at historic low levels and external borrowing will be considered if rates are expected to rise significantly from their current position. If implemented, this action will reduce the authority's exposure to interest rate risk.

G – Bristol City Council Owned Companies

49. To the end of Period 5 2016/17, no additional loans / investments have been made to the Council's Subsidiaries. The amount of loans / investments as at the 31st August 2016 is set out below:

    Bristol Holding Company - £6.5m

    Bristol is Open - £0.350m

50. A list of further funding requests are currently being considered. The next tranche of investment in Bristol Energy via Bristol Holding Company has been processed at a value of £3m, the majority of which will be used to repay the outstanding debt on intercompany service transactions with the Council.

Risk Assessment

51. 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 and the result of the application for mandatory charitable relief made by a number of hospital trusts;

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;
- The 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.

Consultation and scrutiny input:

a. Internal consultation:
Strategic Directors, Service Directors and the finance team**.**

b. External consultation:
Not applicable

Other options considered:
No other options are considered at the present time.

Public sector equality duties:
There are no proposals in this report which require either a statement as to the relevance of public sector equality duties or an Equalities Impact Assessment.

Environmental checklist / eco impact assessment
Not applicable.

Resource and legal implications:

Finance

a. Financial (revenue) implications – Interim Service Director - Finance:

As set out in the Report, the Council is currently forecasting an overspend based on service spending from April to August and service projections for the remainder of the year, offset by savings in other corporate budgets. Failure to take action to contain spending within budget and to manage and monitor expenditure and income could result in a requirement to draw on reserves. The level of reserves is limited and a one off resource that cannot be used as a long term sustainable strategy for financial stability. Budget monitoring and management, of which this report forms part of the control environment, is a mitigating process to ensure early identification of pressures and action plans.

Budget risks and pressures have been identified, as outlined above, and are currently being managed and closely monitored. Due to the severity of the forecast outturn variance (potential deficit of £31.1m), the Interim Chief Executive, supported by the Interim Service Director: Finance (s.151 Officer), have put in train a number of actions as outlined in paragraph 9.

Finance staff resources have been targeted to ensure that support for budget monitoring is concentrated on areas of particularly high risk.

b. Financial (capital) implications:

Set out within the report.

c. Legal implications:

Metrobus:
The allocation of additional funding to the Metrobus project of itself has no specific legal implications. However it is worth noting that if any changes that are made to the scope of the project to further reduce costs in a way that affects the value for money category of the project or that result in a failure to deliver the scheme as a whole this would trigger repayment of the Major Project Grant to central government under the conditions attached to the grant.

Other:
The legal implications related to the Metrobus and included above. With regard to the other recommendations, no significant legal issues are raised by the recommendations in this report. The recommendations are in accordance with the Council's constitution and financial regulations.

Advice given by Shahzia Daya: Service Director Legal Services
Date: 5th October 2016

d. Land / property implications:

Metrobus:

In relation to the Metrobus proposals (paragraphs 35-42), the scope of the MetroBus Programme has not changed significantly, as such there are no immediate implications for land or property and as such no comment.

Other:
Other than the Metrobus proposals, other relevant property implications have been included within the body of the report.

Advice given by Robert Orrett – Service Director Property
Date: 5th October 2016

e. Human resources implications:

In line with the financial position and the mitigating actions set out in this paper (paragraph 9) a Section 188 notice was issued in August 2016. The s188 notice provided formal notification to Trade Unions that the scale of the potential workforce reduction is estimated to be up to 975 employees by 31 March 2017.

The identified actions to close the budget gap are likely to result in redundancies; we are however seeking to avoid compulsory redundancies wherever possible. As previously reported, a voluntary severance programme was implemented through September 2016. The outcome of this exercise will be included in future reports.

Full consultation with Trade Unions will be undertaken throughout the period of organisation change and restructure and we will seek to reach agreement with the recognised Trade Unions on how to mitigate the need to make any further compulsory redundancies.

If, after meaningful consultation and after mitigating actions have taken place, compulsory redundancies are unavoidable, employees will be given notice of dismissal in accordance with the Council's agreed policies.

Advice given by Richard Billingham – Service Director HR & Workplace
Date: 20th October 2016