

REVENUE BUDGET MONITORING APRIL 2017 TO AUGUST 2017

- 1.1 Appendix 2 outlines the Council's current financial position for the 2017/18 financial year to the end of August 2017 by Cabinet Portfolio. The Appendix shows the current forecast **year-end** position is an overspend of £5,125,000, or 1.64% of the gross expenditure budget (excluding Schools).
- 1.2 The financial strategy, which is on this same agenda, has been produced in response to a request from SMT and Cabinet about how to address these pressures. In the meantime one off use of reserves and capitalisation of some transformation spend will be needed. Options to more closely control spend on demand led budgets such as adult social care will need further review. Although actions are being taken to limit spend in the current financial year, a more strategic response is needed and this will be a key part of the budget process for 2018/19.

Strategic Directors have also agreed measures to reduce and mitigate the overspend as follows including:-

- Reviewing all vacancies to hold or remove;
- Introducing a three month turnover saving before a vacancy can be filled;
- Buying leave option for staff;
- Bringing forward planned savings;
- Regular monthly updates to the Transformation Group;
- Reviewing all income streams;
- Reviewing all spend above £10k.

1.3 In addition specific measures have been agreed within Adult Social Care:-

- Additional capacity for project management, transformation, and contract management;
- Improvements to the IT system in processing and reporting;
- Approval panels set up for care packages;
- Support planning and brokerage of placements.

- 1.4 The forecast outturn position includes the requirement for the delivery of £14.546m savings as part of the approved budget for 2017/18, a significant element of which has been confirmed as delivered.
- 1.5 Most mitigations have been included within budgets as Managers are managing overspends as much as possible within their budget areas. The remaining mitigations, if further savings cannot be found, will be made as follows and will have an impact on the level of one-off reserves:-

Mitigation	Amount £'million
Release 2017/18 Government Transition Grant Funding	£0.930
Release Strategic Risk Provision Budget	£0.510
Clearance of historic suspense account	£0.689
Business Rate Revaluation Provision for Impact on B&NES properties	£0.380
Utilise remaining Revenue Budget Contingency Reserve	£1.935
General Fund Non-earmarked Reserves	£0.681
Total	£5.125

- 1.6 The required level of non-earmarked reserves to meet key corporate financial risks is £13.5m with a minimum level of £7.5m. Reducing levels to £11.7m¹, although above the minimum amount, will require actions to replenish the £0.681m as part of the Medium Term Financial Strategy.
- 1.7 The levels of Council earmarked reserves are under review to ensure appropriate levels are provided for through the development of the Medium Term Financial Strategy. This can be done through the flexible capital receipts which can be used for specific expenditure such as transformation to replenish other reserves.
- 1.8 Within the current £5,125,000 forecast overspend figure, there are areas of over and under spending which are detailed below, along with any planned service actions being taken to reduce projected overspends.

¹ This projected level includes agreed Invest to Save drawdowns which are repayable in future years

1.9 The Portfolios reported below do not yet reflect the recent changes to Cabinet Portfolio responsibilities, which includes splitting the Waste & Fleet Service to report separately to Development & Neighbourhoods and Transport & Environment respectively, separating Revenues & Benefits from the rest of Customer Services to report separately to Finance & Efficiency and Transformation & Customer Services, and transferring Leisure Services and Parks & Bereavement Services from Transport & Environment to Development & Neighbourhoods. Work is currently being undertaken to split these budgets to reflect the new Portfolio structure, and the new will be included in the next Cabinet report.

1.10 **Leader's Portfolio – forecast £41,000 overspend**

There are small areas of overspending in both Strategy & Performance and Legal & Democratic Services, with reviews being carried out in order to bring the spending back to budget.

1.11 **Finance & Efficiency Portfolio – forecast £1,399,000 overspend**

The forecast overspend on this portfolio is made up of the following variances:

Support Services: There is a £1,099,000 overspend forecast across Support Services.

Within Business Support's £211,000 forecast overspend, Information Technology is forecasted as on target, with pressures of £199,000 as a result of the loss of income from Sirona being funded from the IT reserve in 2017/18, the ongoing pressure is being addressed in the 2018/19 budget setting. Strategic Review savings targets of £150,000 across Finance and People Services have not currently been achieved, but are anticipated to be delivered following restructures, and Finance also has a £75,000 pressure due to the loss of West of England Combined Authority income for secondments.

Property & Project Delivery is forecasting a £79,000 underspend. There is a one-off underspend in Commercial Estate of £250,000 arising from reduced acquisition first-year borrowing costs. This is partially used to off-set the £114,000 delayed income for the Housing Delivery Vehicle, due to the slippage in the commencement of development sites, and also the £104,000 overspend forecast in Traded Services due to delayed print & post review, one-off backdated Business Rates and Catering Services cost pressures.

The net spending in Human Resources is exceeding the estimates by £661,000 for a combination of reasons. The three main reasons are:-

- The necessary planned reduction in school support to enable the remaining minority of non-academy schools, still using the service, to buy from elsewhere. This is a one-off cost of transition.
- Part of the service had been funded through corporate reserves and these have now been removed. There have also been ongoing HR service efficiency targets.

- The remaining element is due to demand exceeding the budget as the Council changes. To help offset this a new structure will combine People Services and HR Services. These will improve the use of manager and staff self-service through the Trent system which is being upgraded by the supplier to be more intuitive.

The HR Service together with People Services is now in the latter stages of a major review with budgets being zero based and rebuilt by the end of this financial year. These changes will improve affordability but also enable the service to access flexible support for the Councils significant demands over the next few years.

Within the Portfolio, there is also £248,000 of management savings across Support Services which have yet to be delivered.

Council Cross-cutting Savings: £632,000 overspend due to further procurement savings targets and underspend rebasing across the Council which are currently yet to be achieved.

Corporate costs: £332,000 forecast underspend, as a result of one-off Banking Contract rebate plus reduced banking costs for a year, amounting to £80,000, and £150,000 of unidentified historic income. In addition, there are several other small underspends forecast including Parish Grant payments, unfunded pensions costs and external audit costs.

1.12 **Policy & Transformation Portfolio – forecast £39,000 overspend**

Libraries have achieved £60,000 of the £100,000 savings target due to salary savings from vacant posts. The remainder of this target within the service is currently a pressure for 2017/18.

1.13 **Adult Care, Health & Wellbeing Portfolio – forecast £2,179,000 overspend**

The Adult Social Care revenue budget has a current forecast service pressure of £3,528,000 but this position can be partially mitigated by fully drawing down the remaining balance, £1,349,000 of both the Social Care Reserve and the Care Act Reserve this is in line with anticipated use, giving a net service pressure of £2,179,000. Inflationary pressures arising from factors including implementation of the National Living Wage / Sleep-in Cover, and a lack of resilience in the care home market leading to a shortfall in supply, continue to be a challenge, with the latter having been exacerbated by recent care home closures and the full-year effect of closures in 2016/17.

Adult Social Care spend also continues to be subject to pressures arising from demographic change with increasing levels of complexity and acuity of need impacting on the cost of individual packages of care/placements despite enhanced control measures.

In 2017/18, changes in NHS arrangements in relation to Funded Nursing Care (FNC) and Continuing Healthcare (CHC), including changes to eligibility and assessment processes by the Clinical Commissioning Group (CCG), appear to

have impacted on the Council's costs for some care home placements. A more detailed review with the CCG of FNC and CHC arrangements, systems and processes will help us to fully understand these factors and any ongoing financial implications.

1.14 Children & Young People Portfolio – forecast £1,840,000 overspend

The forecast overspend within this Portfolio is due to a number of demand-driven pressures. Children's Social Care Placement costs are forecast to overspend by £1,630,000 due to the significant increase in expenditure for supporting individual children, in particular the support for residential placements, support for fostered (including independent fostering) and court directed parent and baby placements, along with direct payments for disabled children.

In addition, there is also a forecast overspend of £200,000 for Home to School Transport due to pressures on Special Educational Needs (SEN) transport, as well as demand levels for Mainstream Home to School Transport. Demand has increased as a result of legislative change in recent years, as well as high demand from outside the area for places in local Special Schools. This is making the placement of pupils locally increasingly difficult, and therefore it is necessary to transport pupils further distances outside of the area. Efforts are being made to extend capacity by opening SEN units within mainstream schools and Academies. The strategic review of transport will address the transport costs, but will take time to introduce. This forecast includes anticipated savings from the Strategic Review Processes "Apply For It", which went live September 2017. The forecast does not include changes to routes for the 2017/18 academic year, the cost of which will not be known until the end of September.

1.15 Economic & Community Regeneration Portfolio – forecast £961,000 underspend

Visitor numbers to the Roman Baths have increased by 7.5% compared to the previous year, which has led to Heritage Services forecasting £1,463,000 above the net income target. Within Economy & Culture, there is a £503,000 overspend forecast owing to £400,000 Strategic Review income targets for visitor economy, markets and events not being achieved, along with £83,000 unachieved Strategic Review Savings target in relation to Bath Tourism Plus in connection with the Christmas Market projections.

1.16 Development Portfolio – forecast £28,000 overspend

There are small overspends forecast in several areas of Planning Development and Building Control & Land Charges, such as £12,000 increased advertising and legal fees for Planning Development.

1.17 **Transport & Highways Portfolio – forecast £629,000 overspend**

There is a £224,000 overspend forecast in Highways & Traffic Management, with £205,000 due to Highway Development roles being covered by consultants owing to the difficulties in recruiting these specialist roles. A restructure is being developed to create some career-graded posts in this team to encourage applicants. Also, the £125,000 savings anticipated from the Highways Maintenance contract rationalisation have not been achieved. These overspends are partially offset by vacant post salary savings.

There is a £140,000 corporate pressure on the Leisure budget arising from unbudgeted costs of holding the Riverside building in Keynsham due to legal delays in the transfer of ownership.

Within Waste & Fleet Services, there is a £126,000 overspend forecast in Cleansing, owing to one-off costs for the relocation to Locksbrook Road and operational overspends including fuel and fleet costs, as well as ongoing budget pressures in Fleet Management and Waste.

Public Transport is forecasting a one-off £200,000 overspend in concessionary fares due to delays in finalising the 2016/17 outstanding payments. There is a risk that an additional budget pressure of £200,000 could materialise as a result of the 2017/18 levy payment to the West of England Combined Authority.

The overspends within this Portfolio are partially mitigated by a net forecast underspend in Parking Services of £132,000, where parking income is £319,000 above target and £227,000 of staffing vacancy are being off-set against delayed Strategic Review savings and bus lane enforcement income shortfalls.

CAPITAL BUDGET MONITORING – APRIL 2017 TO AUGUST 2017

- 2.1 The 2017/18 Capital Programme approved by Council in February 2017 was £56.083m. In addition, provisional capital projects of £42.576m have now been approved, and re-phasing of £23.930m was identified in the 2016/17 Outturn Cabinet Report on 19 July 2017.
- 2.2 A review of capital schemes is being carried out and the capital programme for 2018/19 onwards will be updated as part of the budget process.

Progressing Capital Projects Updates

- 2.3 **Transport Improvement Programme** – The Programme is progressing well, with multiple schemes in design and consultation. Schemes include improvements to increase the capacity of the Two Headed Man (A39) Junction this Autumn by the provision of an additional lane. Key issues on the Feasibility of Trams for Bath are also being identified.
- 2.4 **Highways Maintenance Programme** – Schemes progressing to programme. This includes the A4 Keynsham Bypass where in addition to the £500,000 of approved programme, a joint grant allocation of £2m has been secured from the Central Government with Bristol City Council. It is anticipated that Phase 1, critical works which include the Broadmead Lane Roundabout, will commence this Autumn, and Phase 2, the bulk of the works including resurfacing, will be completed by in Summer 2018.
- 2.5 **East of Bath Transportation** - The Cabinet has adopted a new approach to address the issues of traffic and transport in Bath, particularly to the east of the city, and has announced that a Park & Ride will not go ahead on either sites west and east of Mill Lane due to access safety reasons. The Council will continue to seek and implement new opportunities and new mayoral transport powers associated with the recently created West of England Combined Authority.
- 2.6 **Bath Transport Package: Main Works** – Most works have been completed, with all remaining items all due to finish in 2017/18
- 2.7 **Waste Projects including Infrastructure Relocation** – On-site construction for the relocation of the Outer Bath Street Cleansing Team to an operational base on Locksbrook Road started in August 2017, with completion late Autumn. Further options for the relocation of Refuse and Recycling collection operations, Commercial Waste Service and Waste Transfer Station are being developed.
- 2.8 **Bath Leisure Centre Refurbishment** – The first package of works of the development are now open to the public (the sports hall, new fitness suite and new studios) and work is nearing completion on Package 2A (delivering trampoline park, ten pin bowling, soft play, martial arts studio and party rooms), which are due to be opened to the public in September 2017. The next phase of development, including swimming pool improvements, has also commenced.

- 2.9 **Keynsham Leisure Centre** – The scheme proposals have received planning permission, and interior designs are finalised with budget approved. The project is being delivered in conjunction with the residential refurbishment of Riverside, and a contractor has been appointed with works anticipated to commence in Autumn 2017, for completion in 2019.
- 2.10 **Affordable Housing** – Platform for Life, a shared housing project for young people is acquiring 2 houses and delivering 8 units, is well progressed and due to complete this year. Hanover Extra Care is due to start on site in October 2017 and 5 rural units in Bathampton are expected to complete in quarter 4. All financial arrangements in place to begin to fund HOLD (Home Ownership for People with Long-Term Disabilities) for shared ownership purchases. English Rural is also due to start on site to secure units in the Old Rectory, Chew Stoke in early 2018.
- 2.11 **Digital B&NES** - Public Wi-Fi in Bath City Centre tender has been awarded, with planning permission for the network granted. Installation will start in October 2017, with the aim to go live before Christmas. There is a wait on the Connecting Devon and Somerset Partnership board to provide the coverage areas and timelines on the phase 2 of the project. The Government has announced they want B&NES to be part of national Gigabit voucher scheme pilot.
- 2.12 **RIF Project: Bath Quays Waterside (Innovation Quay)** - Hard landscaping to the north river bank is progressing well with paths, steps and walls nearing completion. Tree planting is complete, and planting of shrubs and wildflowers underway, with grass seeding to follow. The lower towpath has re-opened and will remain open while river railings along this section are replaced in September 2017. Landscaping in the area of Bath Quays Bridge will be undertaken as a second landscaping phase after installation of the bridge, currently envisaged in 2018. Raising the river walls on the south bank continues to progress and is expected to be completed immanently. Work to realign the riverside path on the southern boundary of Green Park is substantially complete, with some planting remaining.
- 2.13 **Bath Quays North** – An OJEU (Official Journal of the European Union) procurement process to select a development partner for the Bath Quays North site went live via the Supplying the South West portal in July 2017. A successful launch event for potential developers was held at the Gainsborough Hotel in Bath on 20th July 2017, which confirmed strong market interest in the development opportunity, followed by further event in London on 10th August 2017 for interested parties who were unable to attend in July. The deadline for initial Expressions of Interest was 12th September 2017, and 14 were received.

The Bath Quays North design masterplan is being refined following feedback on initial proposals submitted to the Council's Planning Department and an on-going stakeholder consultation. The target date for submission of an outline planning application is this Autumn.

- 2.14 **Bath Quays South** – Funding is now in place to progress the delivery of BWS. EDF grant funding has been secured for the enabling infrastructure and Commercial Estate investment for the offices. Planning consent was obtained in March 2017 and construction is due to commence of site in Autumn 2018.

Letting agents have been appointed to identify occupier interest for the Bath Quays South office building. The initial market feedback has been positive and it is expected that works will commence on site with enabling, demolition and remediation later in the Autumn.

- 2.15 **Bath Quays Bridge** – Planning consent was obtained in March 2017. Detailed design is underway and works will be tendered in October 2017. The off-site manufacture will commence in 2018 for completion later in that year.
- 2.16 **Schools Capital Maintenance Programme** – The 2017/18 Schools Capital Maintenance Programme includes a £500,000 element for Emergency Works, Disability Discrimination Act compliance and other Minor Works schemes. The remaining budget has been allocated to a larger scheme at Swainswick Primary School, to replace poor condition classrooms and provide new toilet facilities.
- 2.17 **Paulton Junior School** – Works are complete on the 4 classroom block and hall. The buildings have been handed over to the school and a small number of external works are being finalised.
- 2.18 **Saltford Primary** – Expansion of accommodation and replacement of poor condition temporary buildings, where the new buildings were complete for September 2017 and are being transferred to the Wellsway Multi Academy Trust.
- 2.19 **Longvernal Primary School** – Internal remodelling to provide a bulge class for September 2017 admissions is now complete.
- 2.20 **St Saviour's Junior School** – Internal remodelling and external works to provide a bulge class for September 2017 admissions are now complete.
- 2.21 **St Mary's Primary School, Writhlington** – Expansion of accommodation to provide additional school places was completed during Summer 2017, ready for September 2017 admissions.
- 2.22 **Castle Primary School** – Phase 4 expansion works currently in progress to deliver additional accommodation to expand the school from 210 to 420 places.
- 2.23 **Ensleigh – New Primary School** - The buildings are complete and were handed over to the Comenius Trust, the new school sponsor, during the Summer. The school was opened and operational at the beginning of September 2017, ready to accept the new pupils.
- 2.24 **Roman Baths Archway Project** - This £5Million project will be funded by a Council capital contribution of £1Million, together with a Heritage Lottery Fund (HLF) grant of £3.4 million, and other fundraising. One key project dependency is the completion of the works to York Street, where although not expected to impact the timetable, some re-scheduling is required with some preliminary work being brought forward to facilitate this.
- 2.25 **Grand Parade & Undercroft** – Planning consent has been approved and all options associated with the scheme are being reviewed.