POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 126 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2016/17: Month 9**	
Date of Meeting:		**9 February 2017**	
Report of:		**Executive Director for Finance & Resources**	
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel: 29-3104**
	Email:	**Nigel.manvell@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out an indication of forecast risks as at Month 9 (December) on the council's revenue and capital budgets for the financial year 2016/17.

1.2 As set out in the General Fund Revenue Budget 2016/17 report to Budget Council, potential cost pressures of up to £18m were identified of which approximately £12m was provided for in the budget through 'service pressure funding'. The report highlighted that successful 'demand management' strategies would therefore be key to managing down cost pressures across Adult and Children's social care and Homelessness (temporary accommodation) in order to achieve financial balance in 2016/17. In recognition of this challenging position, £3m risk provisions were set aside to provide some mitigation against these risks.

1.3 The forecast risk for 2016/17 as at December is £1.862m on the General Fund, compared to £3.450m in October, a much improved position but still reflecting the position above and indicting that not all demand-led pressures will be addressable. This includes a pressure of £0.603m on the council's share of the NHS managed Section 75 services. The position continues to be driven by sustained pressures across Adults and Children's social care budgets and Homelessness. Recovery plans and measures have mitigated overspends to a signficant degree and this process will continue alongside recovery actions across the wider council in an attempt to pull the position back into balance over the remainder of the year.

1.4 The council set aside risk provisions of £3.000m to mitigate the position, however restructure and redundancy costs are higher than anticipated which will need to be a first call against risk provisions.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast risk position for the General Fund, which indicates an in-year budget pressure of £1.862m. This includes a pressure of £0.603m on the council's share of the NHS managed Section 75 services.

2.2 That the Committee note that total recurrent and one-off risk provisions of £3.000m, less additional restructure and redundancy commitments, are available to mitigate the forecast risk if the risks cannot be completely eliminated by year-end.

2.3 That the Committee note the forecast for the Housing Revenue Account (HRA), which is an underspend of £2.236m.

2.4 That the Committee note the forecast position for the Dedicated Schools Grant which is an underspend of £0.212m.

2.5 That the Committee note the forecast outturn position on the capital programme and approve the variations and reprofiles in Appendix 4 and the new schemes as set out in Appendix 5.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Targeted Budget Management (TBM) Reporting Framework

3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy, Resources & Growth Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending together with more regular monitoring of high risk demand-led areas as detailed below.

3.2 The TBM report is normally split into 8 sections as follows:

i) General Fund Revenue Budget Performance
ii) Housing Revenue Account (HRA) Performance
iii) Dedicated Schools Grant (DSG) Performance
iv) NHS Controlled S75 Partnership Performance
v) Capital Investment Programme Performance
vi) Capital Programme Changes
vii) Implications for the Medium Term Financial Strategy (MTFS)
viii) Comments of the Director of Finance (statutory S151 officer)

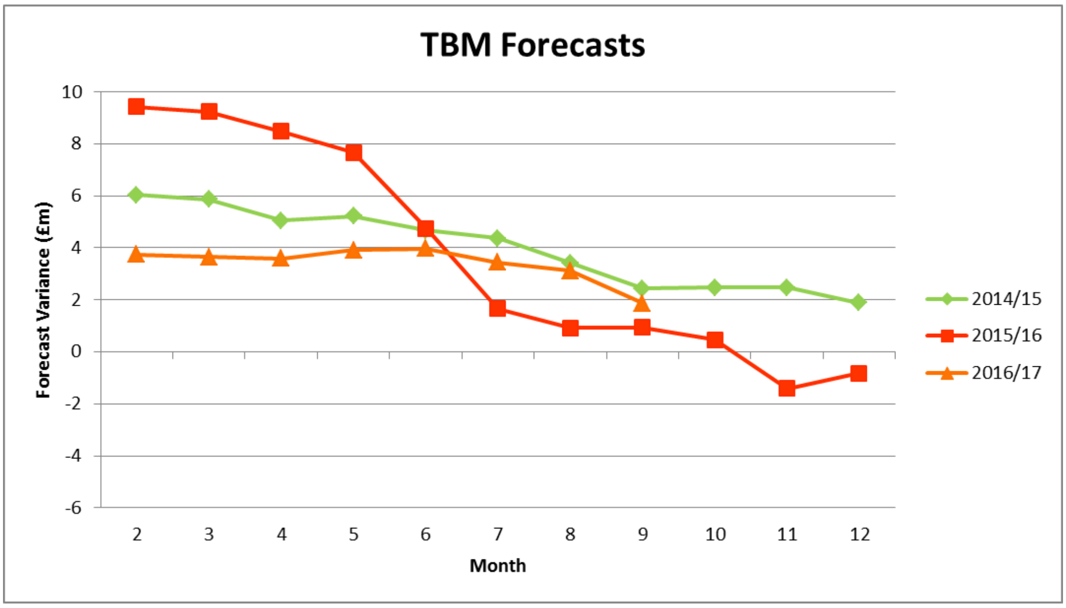
General Fund Revenue Budget Performance (Appendices 1 & 2)

3.3 The table below shows the forecast outturn for Council controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Executive Leadership Team. A summary of the movement between Months 7 and 9 is shown in Appendix 1 and a more detailed explanation of the variances can be found in Appendix 2.

2016/17 Month 7 Variance £'000	Directorate	2016/17 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
3,543	Families, Children & Learning	82,127	85,848	3,721	4.5%
1,177	Health & Adult Social Care	51,221	52,413	1,192	2.3%
(853)	Economy, Environment & Culture	32,985	31,667	(1,318)	-4.0%
987	Neighbourhood, Communities & Housing	15,577	16,340	763	4.9%
(354)	Finance & Resources	20,658	20,041	(617)	-3.0%
(12)	Strategy, Governance & Law	5,564	5,479	(85)	-1.5%
4,488	Sub Total	208,132	211,788	3,656	1.8%
(1,038)	Corporate Budgets	7,651	5,857	(1,794)	-23.4%
3,450	Total General Fund	215,783	217,645	1,862	0.9%

3.4 The General Fund includes general council services, corporate budgets and central support services. Corporate budgets include centrally held provisions and budgets (e.g. insurance) as well as some cross-cutting value for money savings targets. Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note also that although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools).

3.5 The chart below shows the monthly forecast variances for 2016/17 and the previous two years for comparative purposes. To ensure a like for like comparison of the underlying position, the data for the previous two years excludes the allocation of risk provisions and the one-off Minimum Revenue Provision adjustment of £2.328m in 2015/16.

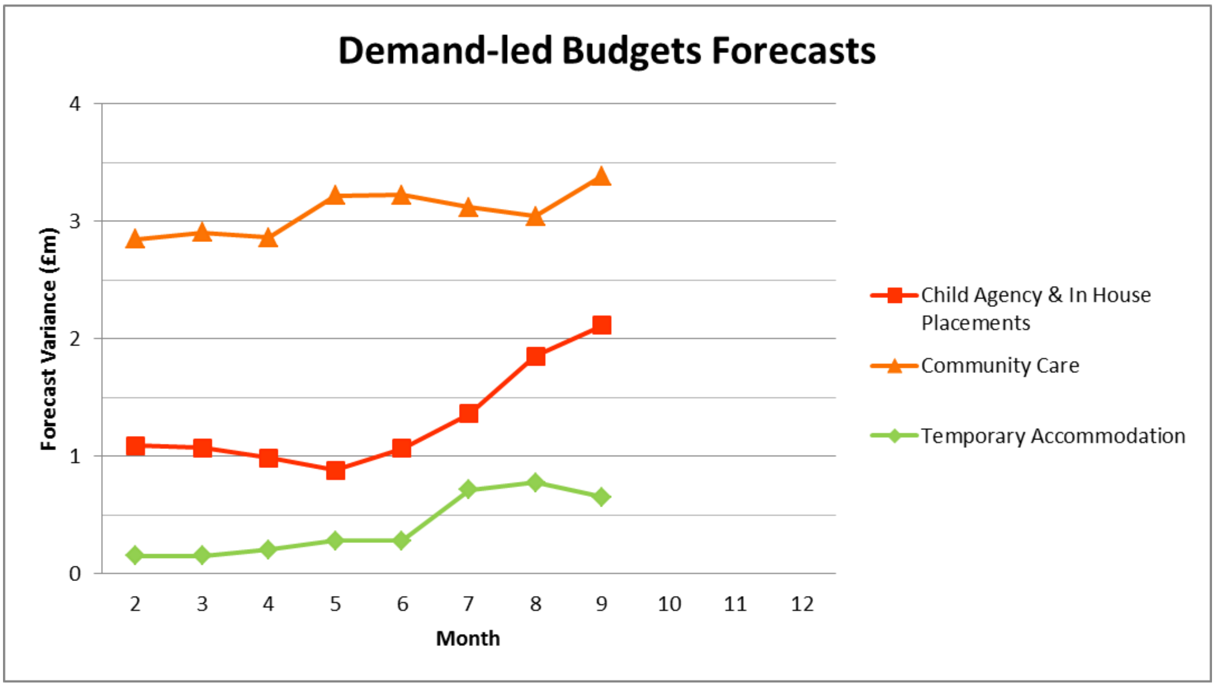


Demand-led Budgets

3.6 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict and where relatively small changes in demand can have significant implications for the council's budget strategy. These therefore undergo more frequent and detailed analysis.

2016/17 Month 7 Variance £'000	Demand-led Budget	2016/17 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
1,358	Child Agency & In House Placements	19,556	21,668	2,112	10.8%
3,116	Community Care	48,931	52,314	3,383	6.9%
711	Temporary Accommodation	1,459	2,109	650	44.6%
5,185	Total Demand-led Budget	69,946	76,091	6,145	8.8%

The chart below shows the monthly forecast variances on the demand-led budgets for 2016/17.



Summary of the position at Month 9

The main pressures reported at Month 9 continue to be across Children's and Adults Social Care and Homelessness (Temporary Accommodation) as follows:

3.7 **Children's Services**: The initial forecast budget risk across Families, Children and Learning was £2.534m primarily resulting from increased demand pressures on services for Children in Care and social work cost pressures continuing through from last year. Subsequently the directorate has put together a financial recovery plan to address the financial risks. This recovery plan identified £1.535m of potential cost reductions to improve the forecast position which would give an outturn of £0.999m. There still remain significant financial pressures on services for Children in Care and social work as well as risks in the Home to School Transport budget, Youth Service and Nurseries that are being closely monitored. In addition, the transfer of services for Adults with Learning Disabilities from the Health & Adult Social Care Directorate has added £2.453m to the overspend.

The current projected position has identified potential cost pressures of £2.453m on services for adults with learning disabilities, £0.271m on social work staffing and £2.232m on placement budgets. Together with risks of £0.266m on Home to School transport, and other underspending budgets of £1.501m, explaining the forecast risk of £3.721m as at Month 9.

3.8 **Adults Services**: The service is facing significant financial challenges in 2016/17 in mitigating the risks arising from the sustained pressures in 2015/16 and managing in-year demands. This is alongside delivering a significant budget savings programme and developing integration plans through the Better Care Fund.

The forecast TBM risk at Month 9 is an overspend of £1.192m after identifying recovery measures which have helped to contain the forecast risk. Recovery measures are focused on attempting to manage demands on and costs of community care placements across Assessment Services and making the most efficient use of available funds. The forecast risk includes the following main elements that are described in more detail in Appendix 1:

- The main area of forecast risk concerns service pressures identified at the beginning of the year (and highlighted in the General Fund Revenue Budget report as noted above) which relate to increased complexity of need, increasing numbers of older people being discharged from hospital requiring social care services for the first time, pressures on the provider services' budget and Deprivation of Liberty Standards (DoLS) cases. At Month 9 there is a significant residual risk of £0.893m relating to these pressures.

- Note that the in-year forecast does not include any one-off funding contributions. In previous years, one-off contributions have been received from the Care Act implementation funds and the Better Care Fund (£3.548m in 2015/16). At this stage it is not anticipated that any additional funds will be made available in 2016/17 but this will be kept under review.

- The forecast includes the part year effect of the increase in care home fees. In order to manage the local market and address the significant under-supply of providers in the city who will accept publicly funded residents, fee increases were essential.

- Of the approved budget savings for 2016/17 of £4.352m, all are being forecast as achievable.

- Service pressure funding of over £3m, including the Adult Social Care precept, was applied in 2016/17 and has been used to fund budget pressures resulting from increased demands and complexity, DoLS, the national living wage and fee rates.

The funding of all care packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet people's aspirations. This forms a key part of the savings implementation plan. Adult Services are also using benchmarking information to support the driving down of unit costs but are faced with increased complexity and demand (demographic) growth which is also a national picture. Through regional and other social care networks the service has been looking at best practice in delivering cost effective services in order to influence future direction - this includes demand management strategies and identifying opportunities through Housing provision.

3.9 **Housing Services and Temporary Accommodation:** Although the council is accepting a full housing duty for a similar level of households as previously (around 420 per annum), the actual numbers of households in temporary accommodation is increasing because there are limited opportunities to move these households out of temporary accommodation into other alternative longer term forms of accommodation. This is due to a mixture of shortage of supply, unaffordable rents in the private sector and policy changes within Adult Social Care commissioning affecting the allocation of supported beds. Given the high cost housing market and welfare reforms, prevention of homelessness has been challenging but has been successful in preventing demand for temporary accommodation increasing further (i.e. the level of homeless acceptances has been maintained).

The service is currently completing a large decanting programme of approximately 200 leased units of temporary accommodation with one provider (150 expected in 2016/17). Two thirds of these properties have been decanted and handed back. In addition, the level of general handbacks is high due to a high cost housing market which is leading landlords to sell. This has a significant impact as:

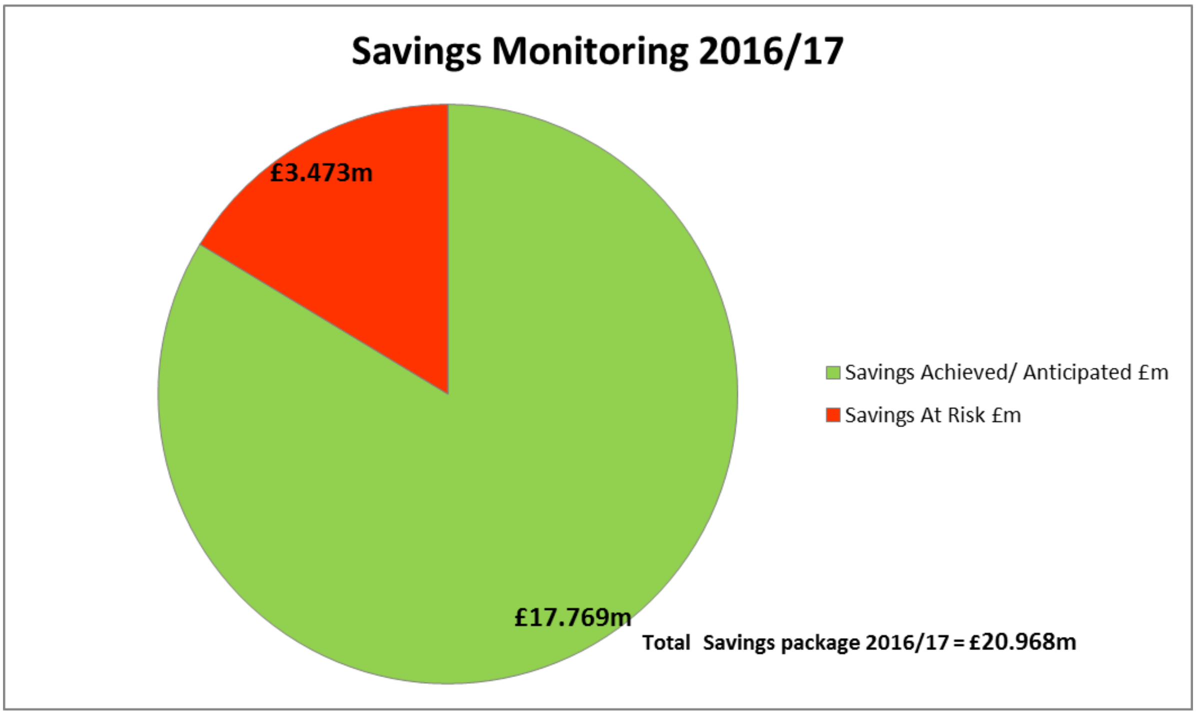
- reprovision to replace lost units means that additional growth of leased property is at a standstill and so new demand can only be absorbed by spot purchases;
- reprovision is at an increased cost as the housing market is now more expensive;
- there are costs associated with the handback of a large number of units which include dilapidation and void costs; and
- some units of provision were diverted to ASC to assist with an emergency situation.

The current projection is an overspend of £0.650m (of which £0335m relates to the managed risk identified at budget setting) and takes account of the use of a one-off contingency sum of £0.100m as well as identified recovery measures of £0.597m. These measures include the use of one-off specific temporary accommodation reserves, vacancy management, improving moving on from temporary accommodation, using HRA assets awaiting redevelopment as temporary accommodation as well as utilising £0.200m of DCLG funding for early prevention work and financial incentives to landlords and applicants.

Monitoring Savings

3.10 The savings package approved by full Council to support the revenue budget position in 2016/17 was £20.968m. This is a very large savings package and follows 5 years of substantial packages totalling nearly £98m. Achievement of savings programmes and actions in 2016/17 will be closely monitored to ensure satisfactory progress and, so far as possible, to avoid adding to financial pressures in future years through non-achievement.

3.11 Appendix 2 includes a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 3 summarises the position across all directorates and presents the entire savings programme. The chart below provides a summary of the position as at Month 9. This shows that over 80% of the savings programme of £20.968m for 2016/17 is expected to be on track but there are clearly challenges with approximately £3.473m at risk. Mitigation of these risks continues through recovery plans and measures wherever possible. The majority of ‘at risk’ savings are within the Families, Children & Learning directorate as detailed in Appendix 2.



Note: Savings achieved/anticipated includes an overachievement of savings of £0.274m.

Housing Revenue Account Performance (Appendix 2)

3.12 The Housing Revenue Account is a separate ring-fenced account which covers income and expenditure related to the management and operation of the council’s housing stock. Expenditure is generally funded by Council Tenants’ rents. The forecast outturn is an underspend of £2.236m and more details are provided in Appendix 2. Any underspend will be added to HRA reserves to support the HRA MTFS and 30-year business plan.

Dedicated Schools Grant Performance (Appendix 2)

3.13 The Dedicated Schools Grant (DSG) is a ring-fenced grant which can only be used to fund expenditure on the schools budget. The schools budget includes elements for a range of services provided on an authority-wide basis including early years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school. The forecast outturn is an underspend of £0.212m and more details are provided in Appendix 2. Under the Schools Finance Regulations any underspend must be carried forward to support the schools budget in future years.

NHS Managed S75 Partnership Performance (Appendix 2)

3.14 The NHS Trust-managed Section 75 Services represent those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Foundation Trust (SPFT) and include health and social care services for Adult Mental Health and Memory and Cognitive Support Services.

3.15 This partnership is subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements result in financial implications for the council where a partnership is underspent or overspent at year-end and hence the performance of the partnership is included within the forecast outturn for the Health & Adult Social Care directorate. The council's forecast contribution to the risk share for 2016/17 is currently £0.603m and more details are provided in Appendix 2.

Better Care Fund – S75 Pooled Fund (Appendix 2)

3.16 The Better Care Fund is a pooled fund managed by the Clinical Commissioning Group. The fund operates on a 50:50 risk share basis. The total value of the fund is £20.087m of which over £7m is invested directly in social care activities. Currently, the Integrated Community Equipment Service is heavily oversubscribed and is forecast to overspend by approximately £1.3m. Underspends on other schemes will assist the position but a net risk of £0.6m is forecast of which the council's share is £0.3m. This position can be mitigated by Adult Social Care contingency held for the purpose and set aside as part of the 2016/17 Provisional Outturn report to Policy, Resources & Growth Committee on 9 June 2016.

Capital Programme Performance and Changes

3.17 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £0.666m at this stage. More details are provided in Appendix 4.

2016/17 Month 7 Variance £'000	Capital Budgets	2016/17 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Families, Children & Learning	9,475	9,475	0	0.0%
0	Health & Adult Social Care	489	489	0	0.0%
0	Economy, Environment & Culture	41,156	41,071	(85)	-0.2%
328	Neighbourhood, Comms & Housing	4,590	4,774	184	4.0%
(39)	Housing Revenue Account	44,317	43,558	(759)	-1.7%
0	Finance & Resources	2,387	2,381	(6)	-0.3%
0	Strategy, Governance & Law	0	0	0	0.0%
0	Corporate Services	0	0	0	0.0%
289	Total Capital	102,414	101,748	(666)	-0.7%

(Note: Summary may include minor rounding differences)

3.18 Appendix 4 shows the changes to the budget and Appendix 5 provides details of new schemes for 2016/17 to be added to the capital programme which are included in the budget figures above. Policy, Resources and Growth Committee's approval for these changes is required under the council's Financial Regulations. The following table shows the movement in the capital budget since approval at Month 7.

Capital Budget Movement **Summary**	**2016/17 Budget £'000**
Budget Approved at TBM Month 7	119,943
Reported at other Policy, Resources & Growth committees since Month 7	1,100
New schemes to be approved in this report (see Appendix 5)	55
Variations (to be approved - see Appendix 4)	(496)
Reprofiles (to be approved - see Appendix 4)	(15,039)
Slippage (to be approved - see Appendix 4)	(3,149)
Total Capital Budget	**102,414**

3.19 Appendix 4 also details any slippage into next year, in respect of which project managers have forecast that £3.149m of the capital budget will slip into the next financial year at this stage.

Implications for the Medium Term Financial Strategy (MTFS)

3.20 The council's MTFS sets out resource assumptions and projections over a longer term. It is periodically updated including a major annual update which is included in the annual revenue budget report to Policy, Resources & Growth Committee and full Council. This section highlights any potential implications for the current MTFS arising from in-year TBM monitoring above and details any changes to financial risks together with any impact on associated risk provisions, reserves and contingencies. Details of Capital Receipts and Collection Fund performance are also given below because of their potential impact on future resources.

Capital Receipts Performance

3.21 Capital receipts are used to support the capital programme. Any changes to the level of receipts during the year will impact on future years' capital programmes and may impact on the level of future investment for corporate funds and projects such as the Strategic Investment Fund, Asset Management Fund, Customer First in a Digital Age and the Workstyles VFM projects. The planned profile of capital receipts for 2016/17, as at Month 9, is £12.220m against which there have been receipts of £1.809m in relation to a lease extension at Hartington Road, land at Park Wall Farm, Falmer, 11 Little East Street plus some minor lease extensions at the Marina and the sale of Lions Court with the capital receipt ringfenced for investment into the housing capital programme.

3.22 The forecast for the 'right to buy sales' in 2016/17 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 50 homes will be sold with a maximum useable receipt of £0.500m to fund the corporate capital programme and net retained receipt of £3.013m available to re-invest in replacement homes. To date 37 homes have been sold in 2016/17.

A total of £1.339m receipts from the housing Local Delivery Vehicle (LDV) has been received during October 2016. This is the final batch of receipts and no further tranches are due for this particular project. The net receipts are ringfenced to support investment in council owned homes.

Collection Fund Performance

3.23 The collection fund is a separate account for transactions in relation to council tax and business rates. Any deficit or surplus forecast on the collection fund relating to council tax is distributed between the council, Sussex Police and Crime Commissioner and East Sussex Fire Authority, whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.

3.24 The council tax collection fund is forecast to be in surplus by (£0.765m) at year end which incorporates a brought forward surplus of (£0.376m). Other main changes in the forecast during the year are a greater than forecast reduction in Council Tax Reduction awards (£0.300m), increased income from new properties and banding changes (£0.150m), and increased severely mentally impaired exemptions £0.050m. The council's share of the overall forecast council tax surplus is (£0.654m).

3.25 The business rates collection fund has a brought forward deficit of £1.378m and this is forecast to increase to £3.437m at year end. The forecast deficit has reduced this month by £0.300m mainly due to higher than anticipated rateable values for new properties recently added to the rating list. The main reason for the overall deficit during the year is a greater reduction in the 2016/17 liability being forecast from the impact of appeals and a higher provision being anticipated for losses in collection. Business rates income continues to be difficult to forecast due to the backlog of appeals. The number of appeals outstanding at the end of December totalled 829 (down from 1,094 at 31/3/16) of which 419 were lodged before 01/04/15. The council's share of the overall forecast business rates deficit is £1.684m.

3.26 The council’s share of the combined net deficit across both collection funds is £1.030m and this will need to be included in the budget forecast for 2017/18.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The provisional outturn position on the General Fund is an overspend of £1.862m. This includes a pressure of £0.603m on the council’s share of the NHS managed Section 75 services and a £0.299m risk share on the Better Care Fund. Risk provisions of £3.000m are available to substantially mitigate the position if the risk cannot be addressed by year-end. Any overspend above this level at the year-end would need to be funded from general reserves which would then need to be replenished to ensure that the working balance did not remain below £9.000m. Any underspend would release one off resources that can be used to aid budget planning for 2017/18.

5 COMMUNITY ENGAGEMENT & CONSULTATION

5.1 No specific consultation has been undertaken in relation to this report.

6 CONCLUSION AND COMMENTS OF THE DIRECTOR OF FINANCE (S151 OFFICER)

6.1 The General Fund Revenue Budget 2016/17 report to full Council in February, which set out the budget for approval, indicated that cost pressures arising from increasing costs and demands, particularly across social care, were likely to add costs of around £18m. Through a combination of savings proposals (totalling over £20m) and taxbase increases, including the Adult Social Care precept, the council was able to provide

£12m funding toward these cost pressures requiring effective demand management strategies to manage the residual risk.

6.2 The forecast risk at Month 9 remains manageable in the context of the expected level of risk. Action to address in-year pressures through recovery plans, financial and vacancy controls has been effective and the overall position, after applying risk provisions is better than break-even. This indicates that while the full impact of pressures identified above has not been addressed, there have been some inroads into managing increasing demands. The current trends have been taken into account in setting the 2017/18 budget which is reported elsewhere on this agenda.

6.3 It should also be noted that the one-off cost of facilitating the 2016/17 £21m savings package is higher than anticipated in terms of severance costs for staff exiting the authority following service redesigns and consultation. To date, over 220 staff have been released on redundancy, all of which have been assessed by the Officer Compensation Panel to ensure that all cases met the council's business case criteria for a good value for money decision (i.e. maximum 2-year payback from associated net savings). The Restructure & Redundancy provision has been exceeded by £0.500m and this is expected to increase to approximately £0.600m. This one-off cost will be a first call on the £3.000m risk provision.

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

7.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Cross-Party Budget Review Group and the management and treatment of forecast risks is considered by the Audit & Standards Committee.

Finance Officer Consulted: Jeff Coates Date: 23/01/17

Legal Implications:

Decisions taken in relation to the budget must enable the council to observe its legal duty to achieve best value by securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The council must also comply with its general fiduciary duties to its Council Tax payers by acting with financial prudence, and bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.

Lawyer Consulted: Elizabeth Culbert Date: 27/01/17

Equalities Implications:

7.2 There are no direct equalities implications arising from this report.

Sustainability Implications:

7.3 Although there are no direct sustainability implications arising from this report, the council's financial position is an important aspect of its ability to meet Corporate Plan and Medium Term Financial Strategy priorities. The achievement of a break-even position or better is therefore important in the context of ensuring that there are no adverse impacts on future financial years from performance in 2016/17.

Risk and Opportunity Management Implications:

7.4 The Council's revenue budget and Medium Term Financial Strategy contain risk provisions to accommodate emergency spending, even out cash flow movements and/or meet exceptional items. The council maintains a recommended minimum working balance of £9.000m to mitigate these risks. The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

SUPPORTING DOCUMENTATION

Appendices:

1. Revenue Budget Movement since Month 9
2. Revenue Budget Performance
3. 2016/17 Savings Progress
4. Capital Programme Performance
5. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.