POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 62 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2017/18: Month 7**	
Date of Meeting:		**30 November 2017**	
Report of:		**Executive Director, 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 7 (October) on the council's revenue and capital budgets for the financial year 2017/18.

1.2 As set out in the General Fund Revenue Budget 2017/18 report to Budget Council, £14.7m was provided for in the budget to meet identified service pressures across social care and homelessness services. This sum substantially covered identified demand led pressures. As a result, maintaining a risk provision at £1.500m, as in previous years, was considered adequate to meet potential demand risks and/or difficulties in delivering savings targets. The report highlighted that with demand led pressures funded, the focus in 2017/18 would be on strengthening budget accountability, managing demand effectively and localising risk management in services wherever possible, rather than reliance being placed on corporate mitigations or controls.

1.3 The forecast risk for 2017/18 as October is £1.270m on the General Fund reflecting the situation outlined above. This includes a forecast overspend of £0.190m on the council's share of the NHS managed Section 75 services.

1.4 Taking into account the available risk provision of £1.384m, the council's financial position therefore remains in a manageable position but elimination of the overspend will continue to be the aim as this would free up essential one-off resources to support next year's budget.

1.5 The report also indicates that a significant element of the substantial savings package in 2017/18 of £21.367m is on track with £17.986m either achieved or anticipated to be achieved. Savings at risk (£3.798m) are included in the overall service forecasts.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast risk position for the General Fund, which indicates a budget pressure of £1.270m. This includes a forecast overspend of £0.190m 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 £1.384m are available to mitigate the forecast General Fund risk if the risks cannot be completely eliminated by year-end.

2.3 That the Committee approve the requested carry forward of £0.109m for Regulatory Services (paragraph 6.3).

2.4 That the Committee note the forecast for the Housing Revenue Account (HRA), which is an underspend of £0.425m.

2.5 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an underspend of £0.154m.

2.6 That the Committee note the forecast outturn position on the capital programme and approve the variations and slippage in Appendix 5 and new schemes in Appendix 6.

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 through effective financial recovery planning 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:

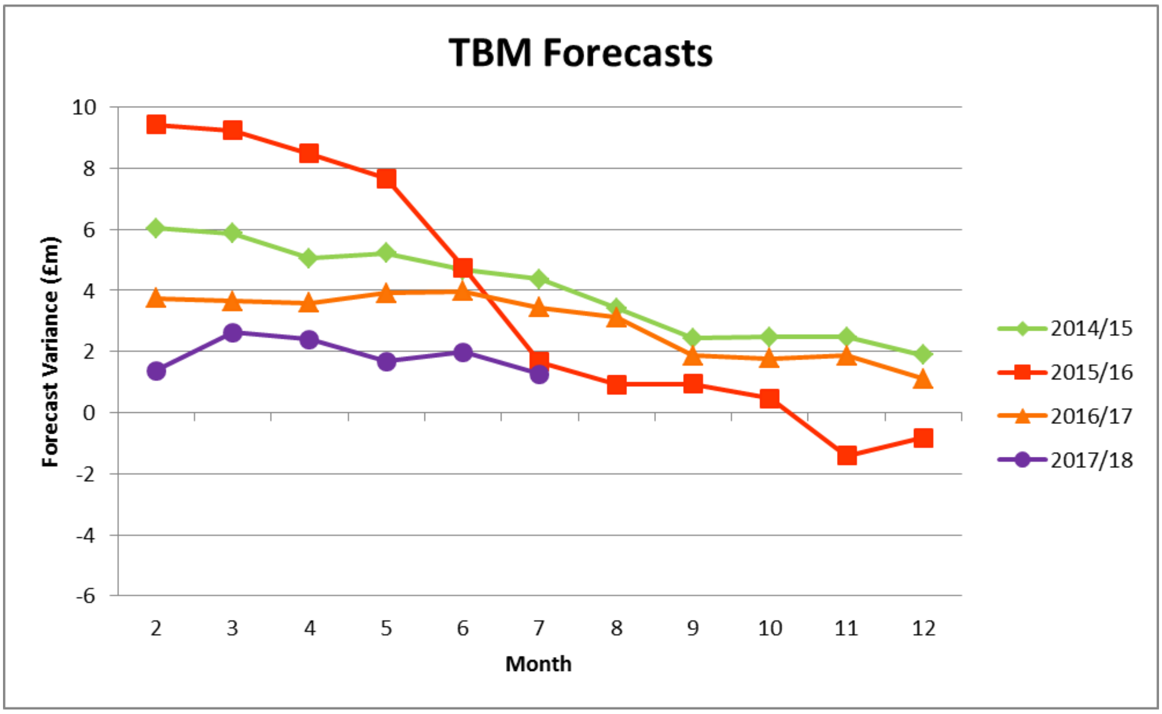
i) General Fund Revenue Budget Performance
ii) Housing Revenue Account (HRA) Performance
iii) Dedicated Schools Grant (DSG) Performance
iv) NHS Controlled S75 Partnership Performance
v) Capital Investment Programme Performance
vi) Capital Programme Changes
vii) Implications for the Medium Term Financial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

General Fund Revenue Budget Performance (Appendix 2)

3.3 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Executive Leadership Team. More detailed explanation of the variances can be found in Appendix 3.

Forecast Variance Month 5 £'000	Directorate	2017/18 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
2,563	Families, Children & Learning	83,724	86,215	2,491	3.0%
0	Health & Adult Social Care	49,920	50,065	145	0.3%
(333)	Economy, Environment & Culture	29,339	29,019	(320)	-1.1%
(80)	Neighbourhood, Communities & Housing	15,772	15,692	(80)	-0.5%
(363)	Finance & Resources	18,390	17,818	(572)	-3.1%
38	Strategy, Governance & Law	4,983	4,983	0	0.0%
1,825	Sub Total	202,128	203,792	1,664	0.8%
(147)	Corporate Budgets	9,982	9,588	(394)	-3.9%
1,678	Total General Fund	212,110	213,380	1,270	0.6%

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). The chart below shows the monthly forecast variances for 2017/18 and the previous three years for comparative purposes.

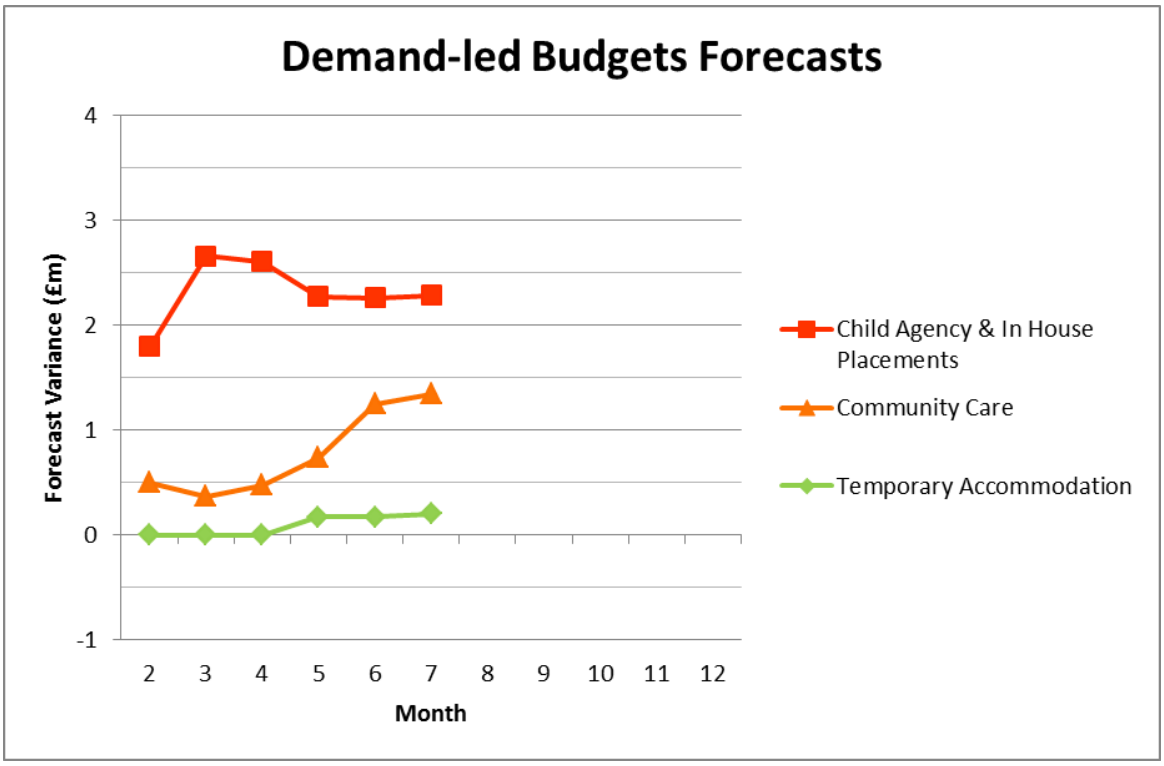


Demand-led Budgets

3.5 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 budgets of corporate significance 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 can include income related budgets. These therefore undergo more frequent and detailed analysis.

Forecast Variance Month 5 £'000	Demand-led Budget	2017/18 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
2,273	Child Agency & In House Placements	20,886	23,173	2,287	10.9%
735	Community Care	55,209	56,551	1,342	2.4%
170	Temporary Accommodation	2647	2847	200	7.6%
3,178	Total Demand-led Budget	78,742	82,571	3,829	4.9%

The chart below shows the monthly forecast variances on the demand-led budgets for 2017/18.



Summary of the position at Month 7

Clearly, the main pressures identified at Month 7 are across the Families, Children & Learning directorate but pressures in other directorates are being contained as summarised below:

3.6 **Families, Children & Learning:** The initial forecast budget risk across Families, Children and Learning was £3.024m primarily resulting from increased demand pressures on services for Children in Care, particularly adolescents with very complex needs and adults with learning disabilities. Some of the social work cost pressures have continued through from last year. Subsequently the directorate has put together a financial recovery plan to address the financial risks but there still remain significant financial pressures on services for Children in Care and adults with learning disabilities. In addition, there are a number of significant financial risks across supported employment, respite services for children with disabilities, legal fees, supporting families with no recourse to public funds, and day services for adults with learning disabilities. These are being closely monitored but have had an adverse impact on the Families, Children & Learning Directorate 2017/18 budget position.

The current projected position has identified potential cost pressures of £0.868m on services for adults with learning disabilities, £0.324m on legal fees and £2.305m on placement budgets. Together with other underspending budgets of £0.400m, explaining the gross forecast risk of £3.097m as at Month 7. After taking into account the Financial recovery measures of £0.606m the net position currently shows an overspend of £2.491m. Further actions are taking place to reduce this level of projected overspend.

3.7 **Adults Services:** The service is facing significant challenges in mitigating the risks arising from increasing demands from client needs, supporting more people to be discharged from hospital when they are ready and maintaining the provider market. This is alongside delivering a significant budget savings programme and developing integration plans through the Better Care Fund.

- There is currently a forecast overspend of £0.145m at Month 7 after the implementation of a number of initiatives to improve the financial stability of the directorate in previous years, which has helped to contain the forecast risk. The recovery measures focus on attempting to manage demands on and costs of community care placements across Assessment Services and making the most efficient use of available funds.

- There is focus nationally on improving rates of hospital discharge in preparation for winter that leads to increasing financial pressure. This pressure is expected to increase over the winter months. There are also continued potential forecast risks concerning increased complexity of need, pressures on the in house older people resource centres and Deprivation of Liberty Safeguards (DoLS) cases. Service pressure funding and improved Better Care funding have partly mitigated the risk for this financial year.

- The forecast includes the fee uplifts agreed at Health & Wellbeing Board on 31st January 2017 across care in the community and residential care. 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.

- At this stage, £0.700m of the total approved budget savings of £4.873m are being forecast as unachievable in this financial year.

- Service pressure funding of over £3m, including the Adult Social Care precept, has been applied in 2017/18 and used to fund budget pressures resulting from the increased demands and complexity, Deprivation of Liberty Safeguards assessments, 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. 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.

3.8 **Housing Services and Temporary Accommodation:** Temporary Accommodation (TA) overspent by £1.062m in 2016/17. This was driven by a combination of external factors including a large decant programme, a shortage of alternative contracted accommodation and high replacement housing costs. In 2017/18 the temporary accommodation budget has been supported by additional funding to address the budget pressures. The service has also been given substantial budget savings to deliver.

The latest forecast position for 2017/18, if no action is taken, is that Temporary Accommodation will overspend by £0.200m (Month 5 £0.170m overspend). The main reason for the overspend is higher than budgeted repairs and voids costs. This is a result of a greater volume of move-ons into permanent housing which creates more voids and higher than budgeted associated costs. The forecast spend on spot purchase accommodation has also slightly increased. This is expected to be mitigated by a) new build properties being available in January, b) voids being managed differently with a focus on performance to reduce void times and c) mainstream early intervention and sustainment to minimise placements into TA. If these measures do not mitigate the overspend, there is a contingency sum built into the Flexible Homelessness Support Grant that can be used as a last resort. So the overall forecast for temporary accommodation is to break-even.

Following the introduction of the new housing allocation policy both the costs and volumes of spot purchasing of emergency accommodation have already significantly reduced. The forecast assumes that the £1.300m Trailblazer Project should deliver initial reductions in accommodation volumes by the final quarter of 2017/18 and then substantial reduction in households in temporary accommodation by the end of 2018/19. There are risks associated with this in terms of the roll out of Universal Credit and the impact this may have on homelessness in the city together with a high cost housing market, and the likely introduction of the Homeless Reduction Act from April 2018 which places more duties upon the local authority. However, this will be closely monitored.

Housing Benefit for households in temporary accommodation changed this year so that the £60 per week management element has been replaced by the Flexible Homelessness Support Grant. The forecast number of households in temporary accommodation requires £4.500m of this grant to enable the service to break-even. An additional allocation of £0.200m is required to cover unmet savings in the short term in order to allow sufficient lead-in time for the delivery of the Trailblazer project and the transformation of the service. This forecast is subject to the following risks:

- A budget pressure may arise as a result of the transfer of budgets to Housing which may prove to be insufficient for the work carried out to house Adults and Children's Services clients;

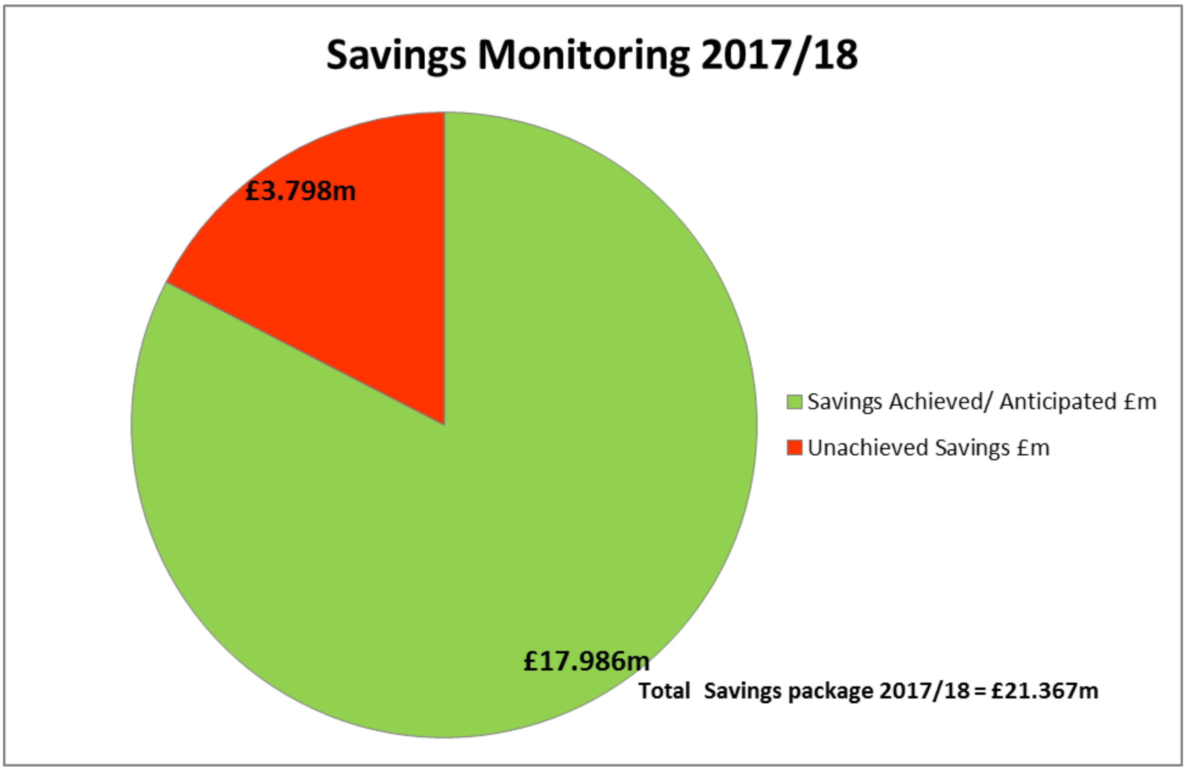
- The roll out of Universal Credit from Autumn 2017 (reduction in benefit recovery from clients);

- External pressures outside of the service control (higher than forecast private sector rent increases, greater numbers of homeless acceptances.

Monitoring Savings

3.9 The savings package approved by full Council to support the revenue budget position in 2017/18 was £21.367m following directly on from a similar-sized savings package in 2016/17. This is very significant and follows 6 years of substantial packages totalling nearly £119m that have been essential to enable cost and demand increases to be funded.

3.10 Appendix 3 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 4 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 7. This shows that delivery is broadly on track with £3.798m (18%) currently at risk. Mitigation of these risks is included in the development of services' financial recovery actions.



Note: Savings Achieved/Anticipated includes an overachievement of savings of £0.417m

Housing Revenue Account Performance (Appendix 3)

3.11 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 currently an underspend of £0.425m and more details are provided in Appendix 3.

Dedicated Schools Grant Performance (Appendix 3)

3.12 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 £0.154m and more details are provided in Appendix 3. 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 3)

3.13 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.

3.14 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. An overspend of £0.190m is currently forecast and more details are provided in Appendix 3.

Capital Programme Performance and Changes

3.15 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £2.790m at this stage. More details are provided in Appendix 5.

2017/18 Forecast Variance £'000	Capital Budgets	2017/18 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
0	Families, Children & Learning	8,744	8,744	0	0.0%
0	Health & Adult Social Care	268	268	0	0.0%
25	Economy, Environment & Culture	44,805	44,805	0	0.0%
0	Neighbourhood, Comms & Housing	2,633	2,633	0	0.0%
(1,580)	Housing Revenue Account	42,235	39,445	(2,790)	-6.6%
0	Finance & Resources	4,019	4,019	0	0.0%
0	Strategy, Governance & Law	6	6	0	0.0%
0	Corporate Services	0	0	0	0.0%
(1,555)	**Total Capital**	**102,710**	**99,920**	**(2,790)**	**-2.7%**

(Note: Summary may include minor rounding differences compared with Appendix 5)

3.16 Appendix 5 shows the changes to the budget which are included in the budget figures above. Policy, Resources & 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 5 Policy, Resources & Growth Committee.

Summary of Capital Budget Movement	2017/18 Budget £'000
Budget approved at TBM month 5	110,993
Reported at other Policy, Resources & Growth Committees for inclusion into 2017/18.	2,000
New schemes to be approved in this report	66
Variations to Budget (to be approved – see Appendix 5)	871
Reprofiling of Budget (to be approved – see Appendix 5)	(11,220)
Slippage	0
Total Capital	**102,710**

Implications for the Medium Term Financial Strategy (MTFS)

3.17 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

3.18 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 and Digital First. The planned profile of capital receipts for 2017/18, as at Month 7, is £32.630m including the receipt associated with the disposal of Kings House which is ring-fenced to support Workstyles and supporting the implementation of Integrated Service & Financial Plans. To date there have been receipts of £27.907m in relation to the disposal of Kings House, the Circus Street redevelopment plus some minor lease extensions at the Marina and improvement grant repayments. The capital receipts performance will be monitored over the coming months against capital commitments.

3.19 The forecast for the 'right to buy sales' in 2017/18 (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 £4.610m available to re-invest in replacement homes. To date 27 homes have been sold in 2017/18.

Collection Fund Performance

3.20 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.

3.21 The council tax collection fund forecast is unchanged from TBM month 5 with a year-end surplus of (£2.315m) which incorporates a brought forward surplus of (£1.029m). The in-year forecast breaks down as a reduction of (£1.500m) in the amount set aside for losses in resources from changes to the contribution to bad debt provision and previous year's liability whereby the collection rate on the tax base is being amended to 99% from 98.33%. Other changes are a greater than forecast reduction in Council Tax Reduction awards (£0.300m), higher than forecast increase in Severely Mentally Impaired (SMI) exemptions of £0.425m and other exemptions £0.100m. The council's share of the overall forecast council tax surplus is (£1.985m).

3.22 The business rates collection fund is forecast to be in deficit by £3.951m at year-end and the council's share of this is £1.936m, however the council will only fund £0.696m as there are government adjustments due for the tariff payment and section 31 (S31) grants that will fund the remaining £1.240m. It is estimated that the council will ultimately receive an adjustment to the tariff payment of £0.394m and that S31 grants for the spring budget changes and other S31 grant funded areas will contribute a further £0.846m of grant funding. The unfunded deficit for the council of £0.696m has arisen from a combination of factors including the adjustment to the tariff payment not fully equalising out the loss in business rates income from revaluation changes and backdated awards of empty relief.

3.23 The council's share of the combined collection funds is a surplus of (£1.289m) and this is included in the budget resources for 2018/19.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The provisional outturn position on the General Fund is an overspend of £1.270m. This includes a forecast overspend of £0.190m on the council's share of the NHS managed Section 75 services. Risk provisions of £1.500m are available to substantially mitigate the position. Any overspend 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 2018/19.

4.2 The one-off funding of in-year pressures on Communal Bin rounds of £0.050m and provision for care leavers council tax discount of £0.066m from the available General Fund risk provision (agreed at the 12 October and 4 May meetings of this committee respectively) will reduce the risk provision from £1.500m to £1.384m. Therefore, if the council achieves a General Fund overspend of £1.384m or lower by year-end it will achieve break-even or better. Funding these two items in this way effectively treats these pressures as corporate pressures rather than leaving the relevant services to manage the pressures.

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 & RESOURCES (S151 OFFICER)

6.1 Although the forecast position continues to be an improvement on last year, there are still concerning trends on expenditure for Children in Care. Although there is some evidence of national pressures on Children's Social Care, the growth in costs locally continues to be higher than all but the most deprived council areas and is above the significant service pressure funding provided for in the budget. To ensure effective management of this situation, the local context needs to be understood more clearly and the position in relation to escalating provider fees and charges also needs to be kept under review.

6.2 While the forecast risk at Month 7 remains manageable in the context of available risk provisions it is important that these early signs of cost pressures are addressed and mitigated as far as possible either directly or through alternative recovery action.

6.3 Turning to another matter, in accordance with the detailed business case, Regulatory Services within the Neighbourhood, Communities & Housing directorate have identified an in-year cost savings of £0.109m that can be achieved and will need to be carried forward to part-fund the first year of operations of the Field Officer role, including some set up costs, during which the potential for cost recovery and income generation will be reviewed to inform the longer term budget requirement. This has no net impact on the overall TBM position and requires approval by the committee in accordance with Financial Regulations.

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: 20/11/2017

Legal Implications:

7.2 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: 22/11/2017

Equalities Implications:

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

Sustainability Implications:

7.4 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 2017/18.

Risk and Opportunity Management Implications:

7.5 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 RAG Rating
2. Revenue Budget Movement
3. Revenue Budget Performance
4. Summary of 2017/18 Savings Progress
5. Capital Programme Performance
6. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.