POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 101 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2017/18: Month 9**	
Date of Meeting:		**8 February 2018**	
Report of:		**Executive Director, Finance & Resources**	
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel: 01273 293104**
	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 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 £1.5m, as in previous years, was considered adequate to meet potential demand risks and/or difficulties in delivering savings targets. The report highlighted that with predicted 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 at December is £0.428m on the General Fund. This includes a forecast overspend of £0.233m on the council's share of the NHS managed Section 75 services. Taking into account the remaining available risk provision of £1.384m, this therefore leaves a balance of £0.956m one-off resources available to support the 2018/19 budget position.

1.4 The report also indicates that a significant element of the substantial savings package in 2017/18 of £21.367m is on track with £17.554m either achieved or anticipated to be achieved. Savings at risk (£4.320m) are included in the overall service forecasts and Appendix 2 describes how these have been mitigated where possible. The potential ongoing impact of any savings at risk has also been taken into account in developing the 2018/19 budget proposals elsewhere on this committee's agenda.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast risk position for the General Fund, which indicates an in-year pressure of £0.428m. This includes a forecast overspend of £0.233m on the council's share of the NHS managed Section 75 services.

2.2 That the Committee note that total risk provisions of £1.384m remain 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 establishment of two reserves as set out in paragraphs 6.2 and 6.3.

2.4 That the Committee note the forecast for the ring-fenced Housing Revenue Account (HRA), which is an underspend of £0.430m.

2.5 That the Committee note the forecast risk position for the ring-fenced Dedicated Schools Grant which is an underspend of £0.261m.

2.6 That the Committee note the forecast outturn position on the capital programme and approve the variations and slippage in Appendix 5 and the new schemes and future years' variation 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:

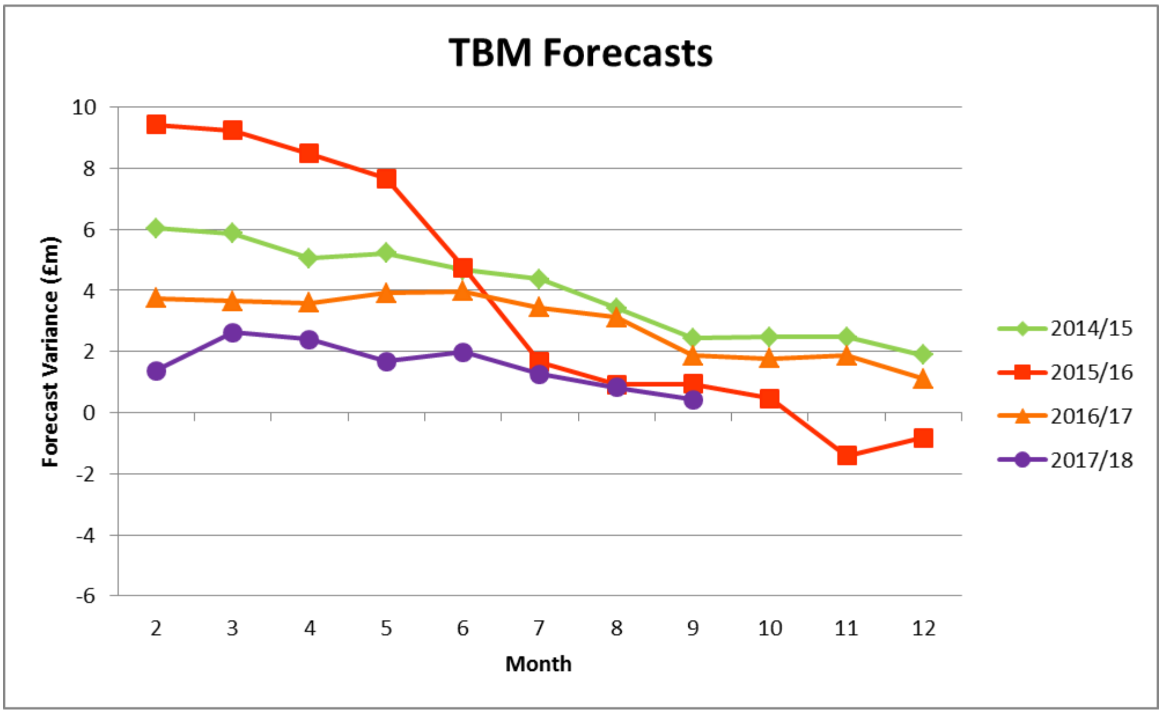
- i) General Fund Revenue Budget Performance
- ii) Housing Revenue Account (HRA) Performance
- iii) Dedicated Schools Grant (DSG) Performance
- iv) NHS Controlled S75 Partnership Performance
- v) Capital Investment Programme Performance
- vi) Capital Programme Changes
- vii) Implications for the Medium 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 7 £'000	Directorate	2017/18 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
2,491	Families, Children & Learning	83,766	86,375	2,609	3.1%
145	Health & Adult Social Care	49,948	50,252	304	0.6%
(320)	Economy, Environment & Culture	29,095	27,885	(1,210)	-4.2%
(80)	Neighbourhood, Communities & Housing	15,702	15,622	(80)	-0.5%
(572)	Finance & Resources	18,390	18,089	(301)	-1.6%
0	Strategy, Governance & Law	4,966	4,816	(150)	-3.0%
1,664	Sub Total	201,867	203,039	1,172	0.6%
(394)	Corporate Budgets	10,192	9,448	(744)	-7.3%
1,270	Total General Fund	212,059	212,487	428	0.2%

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.

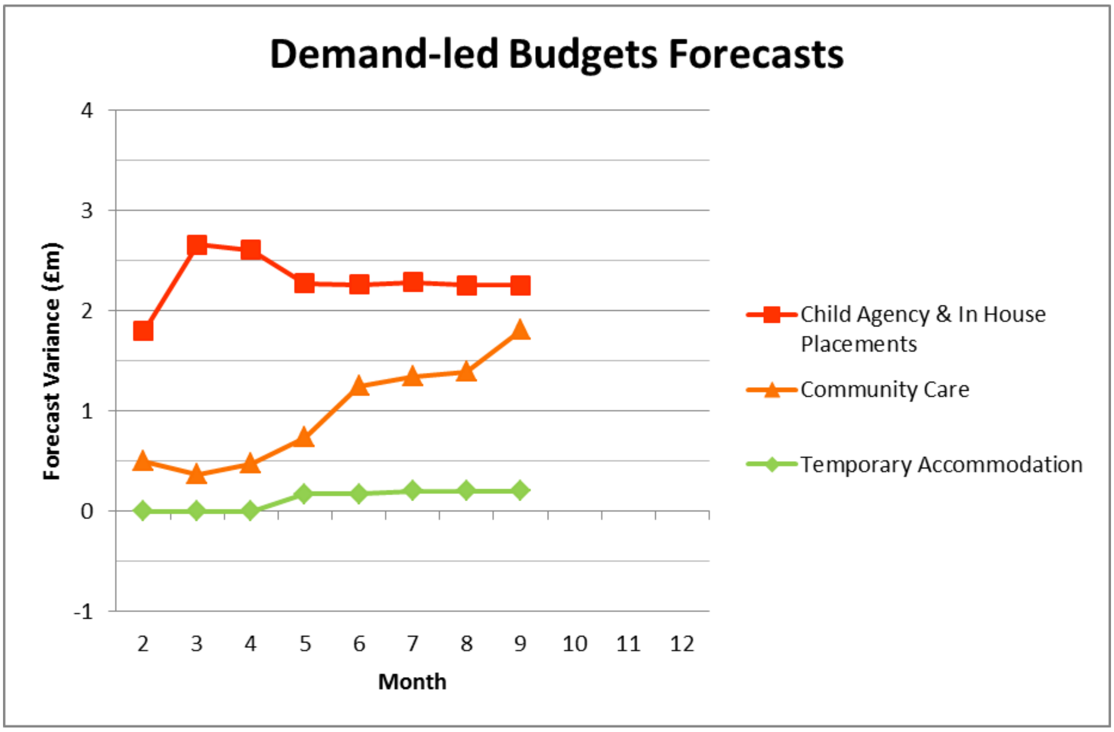


Demand-led Budgets

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 7 £'000	Demand-led Budget	2017/18 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
2,252	Child Agency & In House Placements	20,886	23,139	2,253	10.8%
1,391	Community Care	55,206	57,012	1,806	3.3%
200	Temporary Accommodation	2,647	2,847	200	7.6%
3,843	Total Demand-led Budget	78,739	82,998	4,259	5.4%

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



Summary of the position at Month 9

Clearly, the main pressures identified at Month 9 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 put together a financial recovery plan to address the financial risks and contain costs wherever possible however 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 and Learning Directorate 2017/18 budget position.

The forecast reflects 3 clients who have been classed as no longer eligible for Continuing Health Care funding due to a change of health need. This could be an increasing trend due to the savings targets within the CCG and, by the nature of this type of funding, these clients are often high cost.

Recently there has been a substantial number of children being successfully placed with adoptive families. Where children are adopted through a third party (inter-agency adoption) a standard fee of £0.027m is applied. This has resulted in a significant pressure on this budget. However, it is estimated that in recent cases the lifetime saving to the council of these children not being in foster care would amount to £0.163m per child based on current placement costs.

There is also a new budget pressure within Learning Disability Provider services. The rate of pay for staff sleep-ins (night duty in care homes) has increased to keep the overall pay for these staff in line with minimum wage legislation. In addition, advice has been received that these payments should be backdated for 6 years, resulting in a significant in-year budget pressure in 2017/18.

The current projected position has identified potential cost pressures of £0.980m on services for adults with learning disabilities, £0.323m on legal fees and £2.309m on placement budgets. Together with other underspending budgets of £0.434m, explaining the forecast risk of £3.178m as at Month 9. After taking into account the Financial recovery measures of £0.489m, the net position currently shows an overspend of £2.689m. Further actions will continue in an attempt to reduce this level of projected overspend and ensure that any ongoing impact is minimised.

3.7 **Adults Services:** The service is facing significant challenges in 2017/18 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.

- A forecast overspend of £0.304m is forecast at Month 9 after the implementation of a number of initiatives to improve the financial stability of the directorate in previous years, which have helped to contain the forecast risk. The recovery measures 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.

- There was a focus nationally on improving rates of hospital discharge in preparation for winter leading to increasing financial pressure. 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) assessment 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 agreed.

- At this stage, £0.938m 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, 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 a 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.

3.8 **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. The main reason for the overspend is higher than budgeted repairs and voids costs. This is the result of a greater volume of households moving on to permanent housing which creates more voids and higher than budgeted associated costs.

Ongoing spending pressures are expected to be mitigated by a) new build properties becoming available, 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.

Housing Benefit for households in temporary accommodation changed this year so that the £60pw 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 lead in time for the delivery of the Trailblazer project and the transformation of the service.

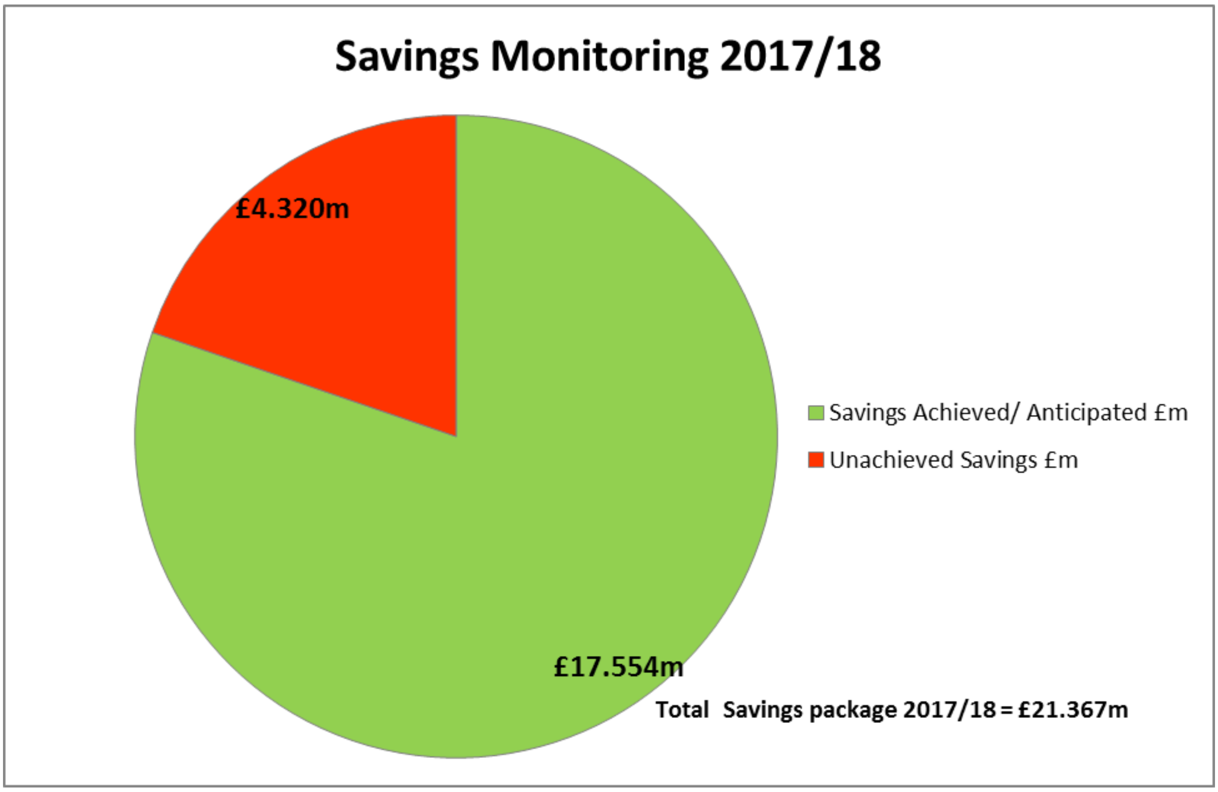
Following the introduction of the new housing allocation policy, both the costs and volumes of spot purchasing of emergency accommodation have already significantly reduced. The forecast assumes that the £1.300m trailblazer project should start to deliver initial reductions in accommodation volumes by the end of 2017/18 and then substantial reduction in households in temporary accommodation by the end of 2018/19. As part of the Autumn 2018 Budget, the government has announced that Universal Credit will not continue to be rolled out to working age households in temporary accommodation and from 1 April 2018 the roll out so far will be reversed. However this does still represent a risk for the service due, for example, to the potential negative impact on households in private sector rented accommodation.

There remain other substantial risks and challenges to the Temporary Accommodation service, for example, a high cost/low availability local housing market, and the introduction of the Homelessness Reduction Act from April 2018 which places more duties upon the local authority. However, these risks will be closely monitored.

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 unavoidable 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 £4.320m (20%) 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 £0.507m

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 funded by Council Tenants' rents, Housing Benefit (for those on low incomes whose rent is rebated) and service charges. The forecast outturn is currently an underspend of £0.430m 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 £0.261m 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 £0.233m 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 £2.410m at this stage. More details are provided in Appendix 5.

2017/18 Forecast Variance £'000	Capital Budgets	2017/18 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Families, Children & Learning	6,771	6,771	0	0.0%
0	Health & Adult Social Care	268	268	0	0.0%
0	Economy, Environment & Culture	41,744	41,744	0	0.0%
0	Neighbourhood, Comms & Housing	5,766	5,766	0	0.0%
(2,790)	Housing Revenue Account	40,025	37,615	(2,410)	-6.0%
0	Finance & Resources	871	871	0	0.0%
0	Strategy, Governance & Law	6	6	0	0.0%
0	Corporate Services	0	0	0	0.0%
(2,790)	**Total Capital**	**95,451**	**93,041**	**(2,410)**	**-2.5%**

(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 7 Policy, Resources & Growth Committee.

Summary of Capital Budget Movement	2017/18 Budget £'000
Budget approved at TBM month 7	102,710
Reported at other Policy, Resources & Growth Committees for inclusion in 2017/18.	220
New schemes to be approved for 2017/18 in this report	178
Variations to Budget (to be approved – see Appendix 5)	826
Reprofiling of Budget (to be approved – see Appendix 5)	(8,468)
Slippage	(15)
Total Capital	**95,451**

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 9, 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 £28.309m in relation to the disposal of Kings House, the Circus Street redevelopment, 3 Greenways Cottage 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 receipts of £4.610m available to re-invest in new homes. To date 41 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 surplus has increased by (£0.122m) since Month 7 with a forecast year-end surplus of (£2.437m) which incorporates a brought forward surplus of (£1.029m). This includes a reduction of (£1.500m) in the amount set aside for bad debt provision to reflect the collection rate on the tax base being amended up from 98.33% to 99%. Other changes are a greater than forecast reduction in Council Tax Reduction awards (£0.310m), higher than forecast increase in Severely Mentally Impaired (SMI) exemptions of £0.270m and other exemptions £0.100m. The council's share of the overall forecast council tax surplus is (£2.091m).

3.22 The business rates collection fund is forecast to be in deficit by £3.448m at year-end and the council's share of this is £1.690m, however, changes to the tariff payment (£0.394m) and section 31 (S31) grants (£0.832m) will fund £1.226m of the deficit leaving £0.464m to be funded by the council. The deficit 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 property reliefs.

3.23 The council's share of the combined collection funds is a surplus of (£1.627m) and this is included in the estimated 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 £0.428m. This includes a forecast overspend of £0.233m on the council's share of the NHS managed Section 75 services. Risk provisions of £1.384m remain available to offset the position and would currently result in surplus one-of resources of £0.956m at year-end. 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.

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 underlying trends on expenditure for Children in Care and Learning Disability services that need to be monitored closely to minimise impact on next year's position. There is evidence of national pressures on Children's Social Care, however, 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. While the forecast risk at Month 9 remains manageable in the context of available risk provisions, it is important that these cost pressures are addressed and mitigated as far as possible.

6.2 Turning to another matter, approval is requested (in accordance with sections B.3.1 and B.3.5 of Standard Financial Procedures) for the establishment of two reserves. The first request relates to creation of a reserve of £0.045m from the Housing Related Support budget within Integrated Commissioning. This is to provide private rented sector accommodation for clients under a deposit guarantee scheme. Deposits from successful placements will need to be carried forward as it may be a number of years before the guarantee payment is required. A reserve is the most efficient way to manage this process. The TBM forecast assumes that this approval is granted from the available budget provision.

6.3 The second request relates to a new capital scheme request for a 3G football pitch at Hove Park as set out in Appendix 6.It is proposed to establish a reserve into which service charge income for the use of the pitch will be paid into the reserve in order to build up funds for the renewal of the pitch at the end of its useful life.

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: 22/01/2018

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: 22/01/2018

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 & Future Years Variation

Documents in Members' Rooms:

None.

Background Documents

None.