CABINET	Agenda Item 116 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2009/10 Month 6**	
Date of Meeting:		**12 November 2009**	
Report of:		**Director of Finance & Resources**	
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel: 29-3104**
	E-mail:	**nigel.manvell@brighton-hove.gov.uk**	
Key Decision:	**Yes**	**Forward Plan No: CAB11487**	
Wards Affected:	**All**		

FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the financial information necessary for the completion of the report was not available in time to meet the standard publication deadline.

1. SUMMARY AND POLICY CONTEXT:

1.1 This report sets out the forecast outturn position on the revenue and capital budgets as at the end of September 2009 (month 6).

1.2 The report shows an improved forecast against a backdrop of significant in-year social care pressures and the impact of economic conditions. This reflects the effective monitoring and control of financial performance and more importantly the recovery actions being undertaken to ensure that spending overall remains within budget.

2. RECOMMENDATIONS:

2.1 That Cabinet notes the forecast outturn for the General Fund, Section 75 Partnerships and Housing Revenue Account (HRA) for 2008/09 as at month 6.

2.2 That Cabinet notes the impact of financial recovery plans, detailed in Appendix 1, on the forecast outturn position.

2.3 That Cabinet approves the drawdown of £0.350 million from reserves to meet potential costs of the Marina Development Appeal.

2.4 That Cabinet notes the forecast outturn position on the capital budgets as at month 6.

2.5 That Cabinet approves the changes to the capital budget as summarised in Appendix 4 and detailed in Appendices 5 – 8.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 The table below shows the forecast outturn position for council controlled budgets within the general fund, including directorates and centrally managed budgets and the outturn on NHS managed S75 Partnership Services.

Forecast Variance Month 4 £'000	Directorate	2009/10 Budget Month 6 £'000	Forecast Outturn Month 6 £'000	Forecast Variance Month 6 £'000	Forecast Variance Month 6 %
811	Adult Social Care & Housing	43,013	43,684	671	1.6%
-	S75 Learning Disability Services	23,713	23,713	-	0.0%
1,565	Children & Young People's Trust	54,510	56,557	2,047	3.8%
(42)	Finance & Resources	18,870	18,774	(96)	-0.5%
-	Strategy & Governance	13,155	13,143	(12)	-0.1%
514	Environment	38,644	38,787	143	0.4%
282	Culture & Enterprise	12,064	12,377	313	2.6%
3,130	Sub Total	203,969	207,035	3,066	1.5%
(745)	Centrally Managed Budgets	14,187	11,352	(2,835)	-16.8%
2,385	Total Council Controlled Budgets	218,156	218,387	231	0.1%
292	NHS Trust managed S75 Services	13,496	13,882	386	2.9%
2,677	Total Overall Position	231,652	232,269	617	0.3%

3.2 The Total Council Controlled Budgets line in the above table represents the total current forecast risk to the council's General Fund. This includes all directorate budgets, centrally managed budgets and council-managed Section 75 services. The NHS Trust-managed Section 75 Services line represents those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Trust and South Downs Health Trust and include health and social care services for Adult Mental Health, Older People Mental Health, Substance Misuse, AIDS/HIV, Intermediate Care and Community Equipment. The financial risk for these services generally lies with the relevant provider Trust. The forecast outturn on the HRA is as follows:

Forecast Variance Month 4 £'000	Housing Revenue Account	2009/10 Budget Month 6 £'000	Forecast Outturn Month 6 £'000	Forecast Variance Month 6 £'000	Variance Month 6 %
(165)	Expenditure	47,869	48,090	221	0.5%
254	Income	(47,869)	(47,793)	76	0.2%
89	Total	-	297	297	

3.3 The overspend forecast of £0.231 million (excluding S75 Partnerships) is explained in more detail in Appendix 1.

Corporate Critical Budgets

3.4 Targeted Budget Management (TBM) is based on the principles that effective financial monitoring of all budgets is important. However, there are a small number of budgets with the potential to have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict with certainty and where relatively small changes in demand can have significant financial implications for the council's budget strategy. These therefore undergo more frequent, timely and detailed analysis. Set out below is the forecast outturn position on the corporate critical budgets.

Forecast Variance Month 4 £'000	Corporate Critical	2009/10 Budget Month 6 £'000	Forecast Outturn Month 6 £'000	Forecast Variance Month 6 £'000	Forecast Variance Month 6 %
999	Child Agency & In House	18,144	19,134	990	5.5%
153	Sustainable Transport	(921)	(689)	232	25.2%
(300)	Housing Benefits	159,350	159,050	(300)	-0.2%
(220)	Concessionary Fares	7,345	7,085	(260)	-3.5%
805	Community Care	22,763	23,524	761	3.3%
-	Section 75 Learning Disabilities	20,657	20,657	-	0.0%
1,437	Total Council Controlled	227,338	228,761	1,423	0.6%
292	S75 NHS & Community Care	11,323	11,709	386	3.4%
1,729	Total Corporate Criticals	238,661	240,470	1,809	0.8%

3.5 The key activity data for each of the corporate critical budgets is detailed in Appendix 2. Note that the analysis in Appendix 2 will not always match exactly the outturn variances shown in the table above, due to a number of different elements that can affect the outturn. The Appendix is designed to highlight the key underlying activity data that is having the most significant effect on the forecast. Narrative explanations regarding the projections are contained within the individual directorate forecasts contained in Appendix 1.

Collection Fund

3.6 The collection fund is currently forecast to have an overall in-year surplus of £1.5 million, of which the council's share is £1.277 million, and this will be included as either one-off resources as part of the budget setting process for 2010/11 or used to offset any residual overspend in 2009/10. The main reason for the surplus is that new properties added to the valuation list have exceeded the anticipated increase in exempt properties so there is an estimated net increase of 960 in properties paying council tax across the city. In addition to this the council tax collection performance is currently above target and there are also higher levels of council tax benefit being granted.

Annual Efficiency Savings

3.7 The Comprehensive Spending Review 2007 assumes that, nationally, local authorities will deliver 3% cash releasing gains year-on-year. Progress made by authorities will be reported via the National Indicator NI 179 which measures Value for Money gains since the start of the 2008/09 financial year.

3.8 The national requirement to produce 3% cash releasing gains is reflected in the Medium Term Financial Strategy. Appendix 3 to this report summarises the efficiency savings agreed as part of the 2009/10 budget process and current progress against their achievement. Variances to the agreed efficiencies are included in the directorate forecasts.

Impact on the Medium Term Financial Strategy (MTFS)

3.9 The lower than budgeted pay award has improved the overall position but the underlying overspend in directorates remains very high and will cause significant budget pressures going into 2010/11 if this cannot be addressed.

Capital Budget 2009/10

This part of the report gives Members details of the capital programme budget position for 2009/10.

3.10 On 26 February 2009, Budget Council considered a capital investment programme report for the financial year 2009/10 and agreed a capital investment programme of £107.265 million. Some of the schemes included in the budget report related to schemes already approved in detail in previous years, while the remainder of the schemes have yet to be approved in detail following their inclusion.

The following table shows the currently approved capital budget.

Capital Investment Programme 2009/10	2009/10 Budget £'000
Slippage brought forward from 2008/09 approved 11 June 2009	2,578
Budget Reprofiles from 2008/09 approved 11 June 2009	3,550
Capital Investment Programme schemes approved	69,718
Total Capital Budget 2009/10 as at month 6	75,846

3.11 The major part of the capital investment programme still to be approved relates to the potential resources generated by the Local Delivery Vehicle (LDV) to improve council housing stock. A separate report on the Cabinet agenda provides more information about the Housing LDV.

3.12 Where schemes are forecast to exceed their budget, budget holders must identify additional resources to finance the shortfall. Forecast overspends of greater than £0.050 million or 10% of the original budget are required to be reported back to Members, either in detailed reports or through this capital monitoring report. Scheme delays or 'slippage' are also monitored in an effort to ensure schemes are delivered not only on budget, but also on time. Where a scheme is forecast to slip by £0.050 million or more, the budget holder will report back to Members, on the amount and the impact of the delay on service delivery.

Capital Forecast Outturn

3.13 A number of changes are proposed to the capital programme as follows: new schemes are proposed and summarised in Appendix 5, budget reprofile requests in Appendix 6; variation requests to the capital budgets are contained in Appendix 7 and slippage forecasts of over £50,000 are listed in Appendix 8. A summary of the proposed changes are shown in the table in Appendix 4.

Overspends

3.14 The overspend within the Housing Revenue Account (HRA) of £0.343 million as shown in Appendix 4 is due to Somerset Point & Wiltshire House brickwork repairs, unexpected minor capital works and lift condition surveys in reparation for the new service contract. This overspend will be funded from the HRA reserves. The £0.030 million overspend being reported within Children & Young People's Trust is in respect of the Falmer Academy outline business case.

Budget Reprofiling

3.15 Delays have been identified in some projects due to factors outside of our control. Appendix 7 provides details of the reasons and asks Members to agree to the re-profiling of the budget, which in most cases will result in the resources being moved from this year's capital programme to the next.

Capital Slippage

3.16 Capital slippage into next year has been included this month on the schemes identified in Appendix 8. Project managers have forecast that £1.231 million of the capital budget may slip into the next financial year. £0.904 million relates to devolved school budgets – budgets over which schools control the timing of the expenditure. The net slippage on the directly controlled budgets therefore amounts to £0.327 million, or 0.42% of the budget.

Prudential indicator for capital expenditure

3.17 Each year, the council sets a number of prudential indicators that show its capital investment plans are affordable and that borrowing levels are sustainable and prudent. For 2009/10, these were set by the council on 26 February 2009. One of these indicators is 'capital expenditure' and in February the council set this at £107.265 million for 2009/10. This indicator helps us to demonstrate that our capital expenditure plans are affordable.

3.18 The Capital Investment Programme report demonstrated how the schemes are fully funded and affordable. The revenue effects of this programme were fully considered as part of the revenue budget setting process.

Capital Receipts

3.19 Capital receipts are used to support the capital programme. For 2009/10 the programme is fully funded, however, any changes to the level of receipts during the year will impact on future years' capital programmes.

3.20 Capital receipts (excluding housing) are estimated to be £1.4m. Currently, £0.7 million has been received which includes the long leasehold disposal of part of the Wellsbourne Centre site and the licence fee in respect of the Community Stadium. This leaves £0.7 million of receipts to be achieved during the rest of the financial year. Assets are actively being marketed to achieve the level of receipts budgeted for. These assets have previously been approved for disposal.

3.21 The level of sales of council homes through 'right to buy' has been severely affected by the current market conditions in house prices generally and the higher cost and availability of mortgages in the current economic climate. The Government receive 75% of the proceeds of 'right to buy sales'; the remaining 25% is retained by the council and used to fund the capital programme. The estimated useable receipts for 'right to buy' sales is £0.5 million for this financial year and to date £0.1m has been received.

3.22 The reduction in receipts will impact on the level of investment in future years for corporate funds such as the Strategic Investment Fund, Asset Management Fund and ICT Fund as well as support for Housing initiatives. If there are no other compensating receipts generated and the current trend for 'right to buy' sales continues the capital strategy will need to be reviewed and the consequences of this will be reported within the Capital Investment Programme report to cabinet in February 2010.

Comments by the Director of Finance & Resources

3.23 The current position shows that demand for social care and the economic downturn are causing significant in-year pressures. These continue to be closely monitored by directorates to understand their current and potential longer term financial impact and, where necessary, factored into the development of the 2010/11 budget strategy. In the meantime, directorates are taking mitigating actions and have and continue to identify short and medium term recovery measures to address overspends.

4. CONSULTATION

4.1 No specific consultation was undertaken in relation to this report.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

5.1 The financial implications are covered in the main body of the report.

Legal Implications:

5.2 Part 3.4 of the council's financial regulations requires the Director of Finances & Resources to report to the Executive on the overall revenue and capital budget position on a regular basis, under the Targeted Budget Management framework.

5.3 Further, under part 3.1 of these regulations, it is for the Executive to take in-year decisions on resources and priorities in order to deliver the budget within the financial limits set by full Council. Hence Cabinet is authorised to approve the drawdown as proposed by recommendation 2 (3) and the changes to capital budges proposed by recommendation 2 (5), having regard to the effect this may have on the revenue and capital outturn positions for 2009/10.

Lawyer consulted: *Oliver Dixon* *Date: 05/11/09*

Equalities Implications:

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

Sustainability Implications:

5.5 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

5.6 There are no direct crime & disorder implications arising from this report

Risk & Opportunity Management Implications:

5.7 There are no direct risk or opportunity management implications arising from this report.

Corporate / Citywide Implications:

5.8 The Council's financial position impacts on levels of Council Tax and service levels and therefore has citywide implications.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 The forecast outturn position on council controlled budgets is an overspend of £0.231 million. Any overspend that exceeds risk provisions and contingencies will need to be funded from General Fund reserves, which will then need to be replenished as part of the 2010/11 budget and MTFS proposals.

7. REASONS FOR REPORT RECOMMENDATIONS

7.1 Budget monitoring is a key element of good financial management, which is necessary in order for the council to maintain financial stability and operate effectively.

7.2 The proposed budget allocations and capital budget changes are necessary to maintain a balanced programme and effective financial management.

SUPPORTING DOCUMENTATION

Appendices:

1. Directorate Revenue Outturn Forecasts
2. Corporate Critical Budgets Activity Data
3. Update on Efficiency Savings 2009/10
4. Capital Summary Outturn
5. Proposed new schemes
6. Proposed Capital Budget Re-profile Requests between years
7. Proposed Capital Budget Variations
8. Proposed Capital Slippage

Documents in Members' Rooms

None

Background Documents

None