

Subject:	Targeted Budget Management (TBM) Provisional Outturn 2009/10		
Date of Meeting:	17 June 2010		
Report of:	Director of Finance & Resources		
Contact Officer:	Name:	Patrick Rice	Tel: 29-1333
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Key Decision:	Yes	Forward Plan No: CAB14964	
Wards Affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report sets out the provisional outturn position (Month 12) on the revenue and capital budgets for the financial year 2009/10.

2. RECOMMENDATIONS:

- 2.1 That Cabinet notes the provisional outturn position for the General Fund, which is an underspend of £0.235 million.
- 2.2 That Cabinet notes the provisional outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2009/10.
- 2.3 That Cabinet approves the contributions to reserves as set out in paragraph 3.4.
- 2.4 That Cabinet notes the provisional outturn position on the capital programme.
- 2.5 That Cabinet approves the following changes to the capital programme:
- (i) The budget reprofiling as set out in Appendix 5;
 - (ii) The carry forward of slippage into the 2010/11 capital programme, to meet on-going commitments on these schemes as set out in Appendix 6;
 - (iii) The new scheme as set out in Appendix 8.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The table below shows the provisional outturn position for council controlled budgets within the General Fund and the outturn on NHS managed S75 Partnership Services.
- 3.2 The provisional outturn shows that the council is managing within its available resources despite significant in-year pressures relating to looked after children, the economic downturn, the adverse weather and Adult Social Care placements. A number of directorate budgets were under pressure during the year but the

forecast position has improved since month 9, reflecting recovery actions and spending constraints. The council's overall position is supported by significant underspends on Centrally Managed Budgets including savings due to the pay award being lower than forecast and the risk provision held to offset in year pressures. More detailed explanation of the variances below can be found in Appendix 1.

Forecast Variance Month 9 £'000	Directorate	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
729	Adult Social Care	38,110	38,930	820	2.2%
79	S75 Learning Disability Services	23,710	23,754	44	0.2%
1,948	Children & Young People's Trust	49,540	51,498	1,958	4.0%
(144)	Finance & Resources	16,582	16,301	(281)	-1.7%
44	Strategy & Governance	14,503	14,637	134	0.9%
1,032	Environment	31,506	32,715	1,209	3.8%
353	Housing, Culture & Enterprise	15,407	15,771	364	2.4%
4,041	Sub Total	189,358	193,606	4,248	2.2%
(3,975)	Centrally Managed Budgets	1,496	(2,987)	(4,483)	-299.7%
66	Total Council Controlled Budgets	190,854	190,619	(235)	-0.1%
493	NHS Trust managed S75 Servs	13,486	13,486	-	0.0%
559	Total Overall Position	204,340	204,105	(235)	-0.1%

3.3 The Total Council Controlled Budgets line in the above table represents the total current forecast in respect of 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.

3.4 Cabinet approval is sought for the following contributions to reserves:

Connexions/Prospects Pension Reserve

It is proposed to make a contribution of £0.108 million to a new Connexions/Prospects Pension Reserve Account. This is in respect of a commitment made by the Authority to contribute a one-third share to fully fund the past service liabilities of Sussex Careers staff that have elected to transfer their pension benefits to Prospects, the actual cost is not yet known as the Council is currently awaiting information from the London Pension Fund in order to progress this issue.

Land Charges Reserve

The impact that the Environmental Information Regulations has on the ability of the service to charge for disclosure of certain pieces of information is still being assessed. There is a possibility of legal action for the recovery of personal search fees from local authorities and so it is considered prudent to set aside a sum for such an eventuality of £0.220 million.

Contribution to a Bereavement Services Grounds Maintenance Reserve

It is proposed to utilise part of the underspend in the Customer Services division to make a contribution to a reserve of £0.075 million, to fund one-off costs associated with the maintenance and upkeep of cemeteries.

3.5 The forecast outturn on the HRA is as follows:

Forecast Variance Month 9 £'000	Housing Revenue Account	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Variance Month 12 %
321	Expenditure	47,949	48,024	75	0.2%
15	Income	(47,949)	(47,744)	205	0.4%
336	Total	-	280	280	

Detailed analysis of the HRA provisional outturn is also provided in Appendix 1 and in the HRA 2009/10 Outturn report.

Corporate Critical Budgets

3.6 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 9 £'000	Corporate Critical	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
1,140	Child Agency & In House	18,114	19,326	1,212	6.7%
1,002	Sustainable Transport	(659)	132	791	120.0%
(300)	Housing Benefits	(807)	(1,431)	(624)	77.3%
(400)	Concessionary Fares	7,345	6,805	(540)	-7.4%
952	Community Care	23,108	24,155	1,047	4.5%
79	Section 75 Learning Disabilities	23,710	23,754	44	0.2%
2,473	Total Council Controlled	70,811	72,741	1,930	2.7%
493	S75 NHS & Community Care	13,486	13,486	-	0.0%
2,966	Total Corporate Criticals	84,297	86,227	1,930	2.3%

Annual Efficiency Savings

3.7 The Comprehensive Spending Review 2007 assumed 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 2 to this report summarises the efficiency savings agreed as part of the 2009/10 budget process and the end of year progress against their achievement. Variances to the agreed efficiencies are included in the directorate forecasts.

Capital Budget 2009/10

- 3.9 This part of the report provides Members with details of the capital programme provisional outturn for 2009/10, which highlights any programme slippage and budget changes and seeks approval for carry forwards (re-profiling) to the 2010/11 programme. Appendix 4 to this report shows the proposed changes to the budget, resulting in a final 2009/10 capital programme budget of £72.294 million.

Budget Re-profiling

- 3.10 Delays have been identified in some projects due to factors outside of our control. Appendix 5 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

- 3.11 Project managers have identified that the net slippage on the capital programme amounts to £3.858 million of which £0.749 million is devolved to schools leaving a net balance of £3.109 million, or 4.30% of the amended budget. Appendix 6 details the significant projects where there is slippage that has not been previously reported.

Capital Receipts

- 3.12 Capital receipts are used to support the capital programme. For 2009/10 capital receipts (excluding 'right to buy' sales) totalled £1.038 million. Major receipts included the long leasehold disposal of part of the Wellsbourne Centre site, the lease restructure for the Brighton Marina and the licence fee in respect of the Community Stadium.
- 3.13 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 net receipts for 'right to buy' sales in 2009/10 is £0.234 million.

Comments by the Director of Finance & Resources

- 3.14 The provisional outturn position on the revenue budget shows a small improvement since month 9. Every effort was made at the time that the budget for 2010/11 was set to ensure the 2009/10 forecasts were as accurate as possible. These took into account the impact of anticipated in-year savings, and the outturn position has shown this process to have been robust. The impact of the adverse weather on the overall outturn position was significant. Since it took place towards the end of the financial year there was limited scope to deliver further savings in-year to offset the additional expenditure and lost income.

- 3.15 Given national economic climate directorates will need to maintain control and downward pressure on costs in 2010/11 and deliver the objectives set out in the corporate value for money programme. Financial recovery plans will be prepared for the ongoing consequences of the outturn position on the new financial year and these will be reported in the Target Budget Management report for month 4 at Cabinet in September. While a substantial proportion of the pressures were incorporated into the overall budget plans for 2010/11 it is expected that there will continue to be significant financial risks in relation to social care budgets, particularly for children's services.

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 In reaching its decisions in relation to its budget, the Council needs to have regard to a number of general points. It must provide the services, which, statutorily, it is obliged to provide. Where there is power to provide services, rather than a duty, it has discretion to provide such services. It must observe its other legal duties, such as the duty to achieve best value and comply with the Human Rights Act 1998. It must act in accordance with its general fiduciary duties to its Council Tax payers to act with financial prudence. Finally, it must bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.

Lawyer consulted:

Oliver Dixon

Date: 26/05/10

Equalities Implications:

- 5.3 There are no direct equalities implications arising from this report.

Sustainability Implications:

- 5.4 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

- 5.5 There are no direct crime & disorder implications arising from this report.

Risk & Opportunity Management Implications:

- 5.6 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 working balance of £9 million to mitigate these risks as recommended by the Audit Commission and Chartered Institute of Public Finance & Accountancy (CIPFA). The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

Corporate / Citywide Implications:

- 5.7 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 underspend of £0.235 million, any underspend will be added to unallocated general reserves unless approval is given to allocate funds to specific reserves or contingencies.

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 capital budget changes are necessary to maintain effective financial management.

SUPPORTING DOCUMENTATION

Appendices:

1. Directorate Revenue Outturn Forecasts
2. Achievement of Efficiency Savings
3. Corporate Critical Budgets Activity Data
4. Capital Outturn Summary
5. Proposed Capital Budget Re-profile Requests
6. Proposed Capital Slippage
7. Capital Outturn Variances
8. New Capital Schemes

Documents in Members' Rooms

None.

Background Documents

None.