

# OVERVIEW AND SCRUTINY COMMISSION

## Agenda Item 40

Brighton & Hove City Council

<b>Subject:</b>	<b>Targeted Budget Management (TBM) Month 4</b>		
<b>Date of Meeting:</b>	<b>19 October 2010</b> 23 September 2010 Cabinet		
<b>Report of:</b>	<b>Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Patrick Rice</b>	<b>Tel: 29-1333</b>
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<b>Key Decision:</b>	<b>Yes</b>	<b>Forward Plan No: CAB16787</b>	
<b>Wards Affected:</b>	<b>All</b>		

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report sets out the revenue and capital forecast outturn position as at month 4.

#### 2. RECOMMENDATIONS:

- 2.1 That the Cabinet notes the provisional outturn position for the General Fund.
- 2.2 That the Cabinet notes the provisional outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2010/11.
- 2.3 That Cabinet approves the changes to the capital programme, as set out in appendices 3, 4, and 5.

#### 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.

Forecast Outturn Month 2 £'000	Directorate	2010/11 Budget Month 4 £'000	Forecast Outturn Month 4 £'000	Forecast Variance Month 4 £'000	Forecast Variance Month 4 %
413	Adult Social Care	36,304	36,616	312	0.9%
781	S75 Learning Disability Services	23,200	23,826	626	2.7%
2,791	Children & Young People's Trust	50,620	52,273	1,653	3.3%
(8)	Finance & Resources	18,826	18,477	(349)	-1.9%
-	Strategy & Governance	12,005	12,120	115	1.0%
517	Environment	37,326	38,123	797	2.1%
-	Housing, Culture & Enterprise	16,557	16,606	49	0.3%
4,494	Sub Total	194,838	198,041	3,203	1.6%
(2,125)	Centrally Managed Budgets	27,134	24,719	(2,415)	-8.9%
2,369	Total Council Controlled Budgets	221,972	222,760	788	0.4%
225	NHS Trust managed S75 Servs	12,328	12,742	414	3.4%
2,594	Total Overall Position	234,300	235,502	1,202	0.5%

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 Outturn Month 2 £'000	Housing Revenue Account	2010/11 Budget Month 4 £'000	Forecast Outturn Month 4 £'000	Forecast Variance Month 4 £'000	Variance Month 4 %
(104)	Expenditure	48,202	47,988	(214)	-0.4%
104	Income	(48,202)	(47,950)	252	0.5%
-	Total	-	38	38	

### Corporate Critical Budgets

3.3 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 Outturn Month 2 £'000	<b>Corporate Critical</b>	2010/11 Budget Month 4 £'000	Forecast Outturn Month 4 £'000	Forecast Variance Month 4 £'000	Forecast Variance Month 4 %
2,156	Child Agency & In House	22,332	23,693	1,361	6.1%
467	Sustainable Transport	(1,362)	(956)	406	29.8%
(350)	Housing Benefits	175,500	175,150	(350)	-0.2%
-	Concessionary Fares	7,712	7,552	(160)	-2.1%
303	Community Care	23,125	23,378	253	1.1%
781	Section 75 Learning Disabilities	23,200	23,826	626	2.7%
3,357	Total Council Controlled	250,507	252,643	2,136	1.0%
225	S75 NHS & Community Care	12,328	12,742	414	3.4%
3,582	Total Corporate Criticals	262,835	265,385	2,550	1.0%

### Value for Money Programme - Update

3.4 Efficiency savings (benefits realisation) from the council's six priority value for money projects for 2010/11 are fully incorporated in the above TBM forecast and Appendix 1. The savings planned from the Value for Money Programme over the next 4 years were set out in the 'Budget Process & Budget Update' report to Cabinet on 22 July 2010. The six priority areas are:

- **Adult Services** – introducing new models of delivery and 'Personalisation' for greater choice (e.g. Personal Budgets);
- **CYPT** – improving prevention, planning and delivery of care;
- **ICT** – improving investment decisions and reducing infrastructure costs;
- **Procurement** – making the best use of the council's buying power;
- **Sustainable Transport, Fleet and Outdoor Events** – reducing costs by organising and procuring services and fleet more efficiently;
- **Workstyles** – making more efficient use of our property estate by improving office working environments and using new IT to enable more flexible and mobile working.

3.5 Services have re-prioritised existing staffing and resources to ensure effective support for the delivery and implementation of these projects. The projects also include other 'invest-to-save' resources and costs where these are essential to lever in the substantial value for money gains. Some of these are funded from external sources, for example, the Adult Social Care Personalisation project is substantially supported by government Social Care Reform Grant in 2010/11.

3.6 Progress on individual projects to date is as follows:

### **Adult Social Care:**

- Casework continues to be processed through the Resource Allocation System (RAS) which is now used to identify indicative allocations for Self-directed Support (e.g. Personal Budgets).
- A new RAS has been developed (SCAN) to manage low level needs cases.
- Market development continues with partners to improve the range of care and support (e.g. Personal Assistants) for those people taking up Self-directed Support.

### **CYPT:**

- An increased number of cases are being processed through the Common Assessment Framework (CAF) to ensure that universal services and other interventions provide more cost effective care packages commensurate with needs.
- An auditing tool has been developed to provide quality assurance on CAF reviews.

### **ICT**

- Business Engagement Manager roles have been established to improve business case development for new ICT investment decisions across the council;
- Development of Service Level Agreements are underway to ensure appropriate allocation of staffing and resources to systems and services;
- Comprehensive applications and contracts registers have now been set up to enable a review of system rationalisation possibilities. This is alongside the deployment of software to accurately assess levels of application usage;
- Exploring development of a strategic approach to EDRM (electronic document management).

### **Procurement**

- Two 'invest-to-save' short term Category Managers have now been engaged (Fleet and ICT) to ensure delivery of procurement savings;
- A new procurement governance process has been developed to ensure tighter controls over procurement activity.

### **Sustainable Transport, Fleet and Outdoor Events**

- Centralised Vehicle Replacement Programmes are being developed with CYPT and Adult Social Care to maximise fleet procurement, management and usage efficiencies.
- A review of commercial opportunities for increasing fees from outdoor events is now underway.

### **Workstyles**

- Plans for the new Customer Service Centre and changes to office accommodation in Bartholomew House are progressing well and will enable the move of staff from Priory House through better flexible working arrangements and IT and will release substantial efficiency savings (i.e. reduced lease rentals).
- A strategic review of all of the council's operational property portfolio has been completed and is now being consulted on.

## **Capital Budget 2010/11**

- 3.7 This part of the report details the expected capital programme outturn for 2010/11, highlights any programme slippage, details new schemes and budget changes and seeks approval for slippage to the 2011/12 programme.

Appendices 3, 4 and 5 to this report shows in detail the proposed changes to the budget, resulting in a capital programme budget of £108.976 million.

### **Capital Forecast Outturn**

- 3.8 As stated above, changes are proposed to the capital programme these are summarised in appendix 3.

### **Capital Overspends**

- 3.9 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.
- 3.10 Project managers have identified that the net overspend on the capital programme amounts to £0.071 million of which the majority (£0.048 million) concerns the Horsdean Travellers site which has suffered from vandalism resulting in a overspend on the scheme. These overspends will be funded from within existing Directorate budgets.

### **Capital Slippage**

- 3.11 No schemes have reported any slippage at this early stage.

### **Accounting adjustment**

- 3.12 Within Housing, Culture & Enterprise and the Children & Young People's Trust there are PFI schemes for libraries and schools. Under the code of practice on local authority accounting and the introduction of International Financial Reporting Standards (IFRS) in 2010/11, the capital PFI lifecycle costs (for the replacement of components of assets as they wear out) now have to be included in the accounts. The planned programme for lifecycle replacement costs is identifiable from the operator's financial model. The amount identified for libraries is £0.027 million and for schools £0.108 million and these costs have been included in the 2010/11 budget column in appendix 2. The costs are funded by a contribution to capital from the revenue budget.

### **Capital Receipts**

- 3.13 Capital receipts are used to support the capital programme. For 2010/11 the programme is fully funded, however, 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 such as the Strategic Investment Fund, Asset Management Fund and ICT Fund. Capital receipts (excluding housing) are estimated to be £1.125 million for 2010/11 of which £0.883 million has been received to date which includes the disposal of Cedars Lodge. This leaves £0.242 million of receipts to be achieved during the remainder of the

financial year. Assets are actively being marketed to achieve the level of receipts budgeted for.

- 3.14 The level of sales of council homes through 'right to buy' affected by the current market conditions in house prices and both 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 £0.492 million for this financial year and to date £0.078 million has been received.

### **Comments by the Director of Finance & Resources**

- 3.15 The forecast outturn position on the revenue budget shows an improvement since month 2, the largest factor being an improved position on the corporate critical looked after children budget. Prompt action was initiated following the month 2 forecast to ensure rigorous review of the delivery of the planned VFM savings targets and to develop further financial recovery plans. It is expected that those financial recovery plans will further improve the forecasts on individual directorate budgets. When there is greater certainty about the robustness of the forecast recovery actions and further evidence of their delivery savings will be incorporated into the TBM projections.

## **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: 05/09/10*

### 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 overspend of £0.788 million; any end of year overspend will need to be funded from general reserves which would then need to be replenished to ensure the working balance did not remain below £9 million. Directorates have developed financial recovery plans so that a break even position is achieved.

**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.

**SUPPORTING DOCUMENTATION**

**Appendices:**

1. Directorate Revenue Outturn Forecasts
2. Capital Outturn Position
3. Summary of New Capital Schemes
4. Summary of Variations to Budget
5. Internal Movements within CYPT

**Documents in Members' Rooms**

None

**Background Documents**

None