

**Subject:** Targeted Budget Management (TBM) 2010/11  
**Date of Meeting:** 11 November 2010  
**Report of:** Director of Finance  
**Contact Officer:** Name: Patrick Rice Tel: 29-1333  
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**Key Decision:** Yes Forward Plan No: CAB16789  
**Wards Affected:** All

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

- 1.1 This report sets out the revenue and capital forecast outturn position as at month 6.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet notes the provisional outturn position for the General Fund.
- 2.2 That Cabinet notes the provisional outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2010/11.
- 2.3 That Cabinet notes progress against achievement of the 2010/11 efficiency savings as set out in Appendix 2.
- 2.4 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 4 £'000	Directorate	2010/11 Budget Month 6 £'000	Forecast Outturn Month 6 £'000	Forecast Variance Month 6 £'000	Forecast Variance Month 6 %
312	Adult Social Care	36,563	36,929	366	1.0%
626	S75 Learning Disability Services	23,200	23,738	538	2.3%
1,653	Children & Young People's Trust	50,827	52,417	1,590	3.1%
(349)	Finance & Resources	18,811	18,802	(9)	0.0%
115	Strategy & Governance	12,934	13,031	97	0.7%
797	Environment	38,108	38,278	170	0.4%
49	Housing, Culture & Enterprise	16,808	16,801	(7)	0.0%
3,203	Sub Total	197,251	199,996	2,745	1.4%
(2,415)	Centrally Managed Budgets	26,485	24,059	(2,426)	-9.2%
788	Total Council Controlled Budgets	223,736	224,055	319	0.1%
414	NHS Trust managed S75 Services	12,328	12,737	409	3.3%
1,202	Total Overall Position	236,064	236,792	728	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 Outturn Month 4 £'000	Housing Revenue Account	2010/11 Budget Month 6 £'000	Forecast Outturn Month 6 £'000	Forecast Variance Month 6 £'000	Variance Month 6 %
(214)	Expenditure	48,202	47,772	(430)	-0.9%
252	Income	(48,202)	(47,918)	284	0.6%
38	Total	-	(146)	(146)	

### 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 4 £'000	<b>Corporate Critical</b>	2010/11 Budget Month 6 £'000	Forecast Outturn Month 6 £'000	Forecast Variance Month 6 £'000	Forecast Variance Month 6 %
1,361	Child Agency & In House	22,328	23,675	1,347	6.0%
406	Sustainable Transport	(1,321)	(1,222)	99	7.5%
(350)	Housing Benefits	175,500	175,210	(290)	-0.2%
(160)	Concessionary Fares	7,712	7,300	(412)	-5.3%
253	Community Care	22,921	23,074	153	0.7%
626	Section 75 Learning Disabilities	23,200	23,738	538	2.3%
2,136	Total Council Controlled	250,340	251,775	1,435	0.5%
414	S75 NHS & Community Care	12,328	12,737	409	3.3%
2,550	Total Corporate Criticals	262,668	264,512	1,844	0.7%

### Collection Fund

- 3.4 There is a forecast in year deficit on the collection fund of £0.5m as a result of a reduced liability for 2010/11. The reasons for the reduced liability include an increased number of exemptions being claimed for vacant dwellings, increases in second home discounts and a higher than anticipated number of new single person discounts being claimed. The Council's share of the in year deficit is £0.426 million and this will need to be met from reserves as part of the 2011/12 budget setting process.

### Annual Efficiency Savings

- 3.5 The Comprehensive Spending Review 2007 assumes that, nationally local authorities will deliver 3% cash releasing gains year on year. Progress made by authorities has so far been reported by National Indicator NI 179 which measured Value For Money gains since the start of the 2008/09 financial year. It should be noted that the requirement to report against this National indicator has now been removed.
- 3.6 The 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 2010/11 budget process and current progress against their achievement. Variances to the agreed efficiencies are included in the directorate forecasts.

### Value for Money Programme – Update

- 3.7 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. A detailed update on the Value for Money Programme was reported to Cabinet at its October meeting.

## **Capital Budget 2010/11**

- 3.8 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 show in detail the proposed changes to the budget, resulting in a capital programme budget of £108.139 million.

## **Capital Forecast Outturn**

- 3.9 As stated above, changes are proposed to the capital programme these are summarised in Appendix 4.

## **Capital Overspends & Underspends**

- 3.10 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.
- 3.11 The Council's overall projection is a net underspend of £0.022 million on all capital schemes. In Environment, project managers have identified a net overspend of £0.060 million of which the majority (£0.048 million) relates to the Horsdean Travellers site which has suffered from vandalism. The Housing Revenue Account is forecasting a net underspend of £0.082 million in respect of savings in unit costs of empty property works partly offset by additional roofing works.

## **Capital Slippage**

- 3.12 No slippage has been identified at this time.

## **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.
- 3.14 Capital receipts (excluding housing) are estimated to be £1.125 million for 2010/11 of which £1.065 million has been received to date which includes the disposal of Cedars Lodge, the deposit for American Express and the final balance on Pioneer House. This leaves £0.060 million of receipts to be achieved during the remainder of the financial year.

- 3.15 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 eligible elements of the capital programme including council housing investment. The estimated total useable receipts for 'right to buy' sales is £0.492 million for this financial year and to date £0.152 million has been received.

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

- 3.16 The forecast outturn position on the revenue budget shows an improvement since month 4, the largest factors being an improved position on the corporate critical budgets for Sustainable Transport and Concessionary Fares. 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.

#### **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: 27/10/10*

##### 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 and 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 £0.319 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. Achievement of 2010/11 Efficiency Savings
3. Capital Outturn Position
4. Summary of New Capital Schemes
5. Summary of Variations to Budget

### **Documents in Members Rooms**

None

### **Background Documents**

None

