

Subject:	Targeted Budget Management (TBM) Provisional Outturn 2011/12		
Date of Meeting:	26 June 2012		
Report of:	Director of Finance		
Contact Officer:	Name:	Jeff Coates	Tel: 29-2364
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Key Decision:	No		
Ward(s) 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 2011/12. The final outturn position is subject to the annual external audit review. This will be shown in the council's financial statements which must be signed by the Chief Finance Officer by 30 June 2012 and the audited set approved by the Audit & Standards Committee by 30 September 2012.

2. RECOMMENDATIONS:

- 2.1 That the Committee note the provisional outturn position for the General Fund, which is an underspend of £4.370m. This includes £3.831m for the council controlled budgets (compared to £3.187m assumed at budget setting time) and £0.539m on the NHS managed S75 budgets.
- 2.2 That the Committee note the provisional outturn for the Housing Revenue Account (HRA) for 2011/12.
- 2.3 That the Committee approve the carry forward requests totalling £5.602m as detailed in Appendix 2.
- 2.4 That the Committee approve the changes to provisions and reserves set out under Corporate Budgets in Appendix 1.
- 2.5 That the Committee agree to fund initiatives totalling £0.662m from unallocated reserves in 2012/13 as detailed in Appendix 2.
- 2.6 That the Committee note the provisional outturn position on the capital programme.

- 2.7 That the Committee approve the following changes to the capital programme
- (i) The budget re-profiling as set out in Appendix 1;
 - (ii) The carry forward of slippage into the 2012/13 capital programme, to meet on-going commitments on these schemes as set out in Appendix 1.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 Reporting has been summarised by strategic budget areas with Appendix 1 providing details of the commissioning and delivery units aligned with these areas. This includes information on critical capital schemes (paragraph 3.22) and capital summaries are included for each of the strategic budget areas within Appendix 1.
- 3.2 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund and the outturn on NHS managed S75 Partnership Services. More detailed explanation of the variances can be found in Appendix 1.

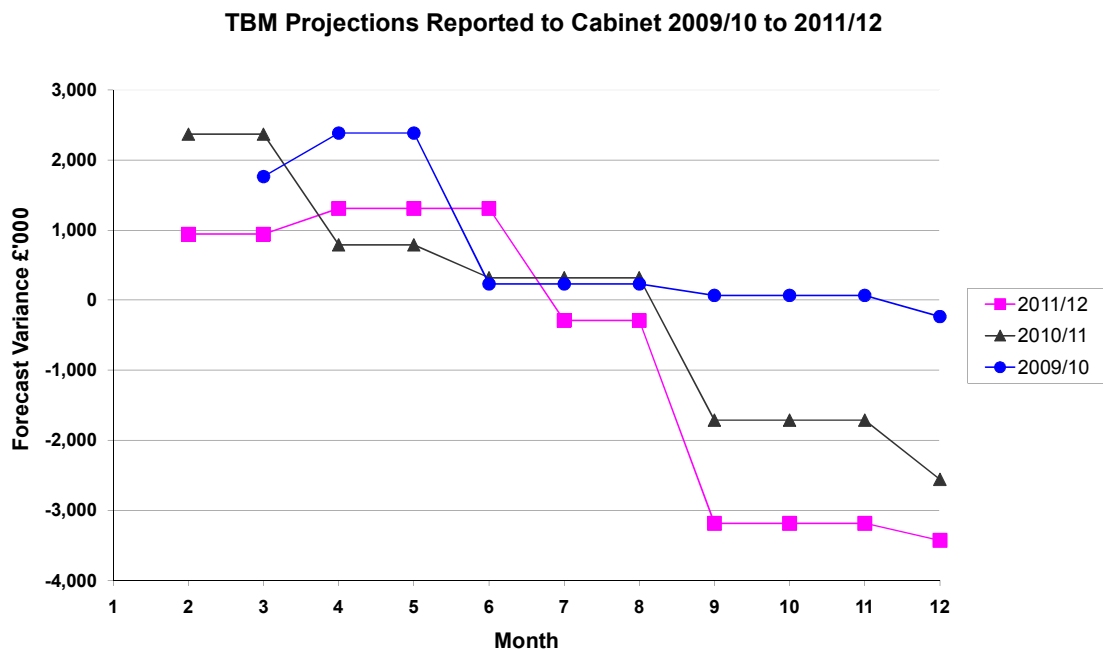
Forecast Variance Month 9 £'000	Directorate	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(2,480)	People	127,579	123,249	(4,330)	-3.4%
135	Place	38,533	37,925	(608)	-1.6%
(25)	Communities	11,943	11,904	(39)	-0.3%
(396)	Resources & Finance	38,108	36,738	(1,370)	-3.6%
(2,766)	Sub Total	216,163	209,816	(6,347)	-2.9%
(421)	Corporate Budgets	(14,293)	(11,777)	2,516	17.6%
(3,187)	Total Council Controlled Budgets	201,870	198,039	(3,831)	-1.9%
(137)	NHS Trust managed S75 Services	14,168	13,629	(539)	-3.8%
(3,324)	Total Overall Position	216,038	211,668	(4,370)	-2.0%

- 3.3 The Total Council Controlled Budgets line in the above table represents the total forecast outturn on the Council's General Fund. The General Fund includes Commissioning Units and Service Delivery Units, which are organised under the strategic areas of People, Place and Communities. These, together with Resource & Finance Units, corporate budgets and Council-managed Section 75 services, make up the Total Council Controlled Budgets. 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 Sussex Community NHS 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. It is agreed with partners that the underspend of £0.539m is attributable to the Council and therefore can contribute directly to the overall position.

Comparison with Previous Years

3.4 The chart below shows a comparison of the forecasts reported to Cabinet / Policy & Resources for the council controlled budgets for this and the previous two financial years.



Corporate Critical Budgets

3.5 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 provisional outturn position on the corporate critical budgets.

Forecast Variance Month 9 £'000	Corporate Critical	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(589)	Child Agency & In House	21,697	21,112	(585)	-2.7%
(147)	Sustainable Transport	(14,238)	(14,488)	(250)	-1.8%
(355)	Housing Benefits	(738)	(1,289)	(551)	-74.7%
(713)	Community Care	43,210	41,458	(1,752)	-4.1%
(1,804)	Total Council Controlled	49,931	46,793	(3,138)	-6.3%
(137)	S75 NHS & Community Care	14,168	13,629	(539)	-3.8%
(1,941)	Total Corporate Critical Budgets	64,099	60,422	(3,677)	-5.7%

Carry Forward Requests

- 3.6 Under the Council's Financial Regulations the Director of Finance may agree carry forwards of up to £0.050m per member of the Corporate Management Team service area, if it is considered that this incentivises good financial management. A total of £0.600m has been agreed for 12 of the 25 potential areas due to their significant contribution to the overall underspend.
- 3.7 Policy & Resources approval is required for carry forward requests in excess of £0.050m per member of Corporate Management Team service area. These total £5.602m and have been included in the outturn figures above. An analysis of this is provided in Appendix 2.
- 3.8 The non grant funded element of this totals £1.841m and a detailed breakdown of this is provided in appendix 2. These items have been proposed where funding is in place for existing projects or partnership working that crosses over financial years and it is therefore a timing issue that this money has not been spent in full before the year end.
- 3.9 The element relating to grant funding totals £3.761m. Under current financial reporting standards, grants received by the Council that are unringfenced or do not have any conditions attached are now recognised as income in the financial year they are received rather than in the year in which they are used to support services. Prior to 2011/12 these unspent grants would have automatically rolled into the next financial year to fund the commitments against them but now they need to be agreed as part of the carry forward requests.
- 3.10 Of the £3.761m, a sum of £1.168m relates to the Dedicated Schools Grant. Under the Schools Finance Regulations the unspent part of the DSG must be

carried forward to support the schools budget in future years. The unspent balance of the DSG is after a sum of £1.000m has been used to create a reserve to fund schools capital expenditure and £0.100m has been used to create a reserve to fund automatic meter readers (AMR's) in schools.

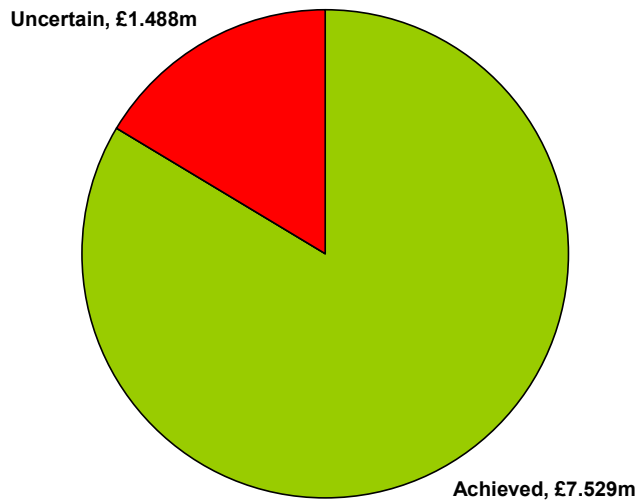
- 3.11 Also included within the £3.761m is a sum of £0.160m relating to matched funding for the food waste trial. This is a European INTERREG grant scheme that the Council is currently bidding for and was reported to Cabinet on 10 May 2012. This matched funding element is required for the purchase of vehicles so that the scheme can begin in April 2013 if the bid is successful.
- 3.12 In addition, there are some initiatives which have not been treated as carry forward requests as it is considered that they require specific member approval because they are new expenditure commitments. They have therefore not been assumed in the outturn figures set out above. These total £0.662m and are described in detail in Appendix 2. If these are approved they can be funded in 2012/13 from unallocated reserves.

Value for Money (VfM) Programme

- 3.13 The Value for money programme contains large, complex projects which include additional temporary resources (e.g. Project Managers) to ensure they are properly planned and implemented to achieve the required financial and non-financial benefits. However, the projects carry significant risks and may need specialist advice or skills that can be in short supply or they may need to navigate complex procurement or legal processes. Therefore each month the TBM report has quantified the progress on savings in terms of those savings that have been achieved, those that are anticipated to be achieved (i.e. low risk) and those that remain uncertain (i.e. higher risk). Now that we have reached year-end, the analysis is split between achieved and uncertain. Those that are uncertain will continue to be pursued in 2012/13 except where changes to VfM targets were made in the approved 2012/13 budget.
- 3.14 The level of 'uncertain' savings has reduced further since month 9 from £1.697m to £1.488m following achievement of the full VfM savings target in Adult Social Care. Overall, VfM savings of some £7.529m have been identified against an original target of £7.752m. The overall level of savings is close to target primarily due to a significant over-achievement of savings of £1.265m within the Children's Services VfM project which has successfully reduced placements costs for looked after children. In the main, where further savings are still to be achieved, these have been offset by one-off counter measures in 2011/12 and efforts to identify the full savings requirements are continuing into 2012/13. Further information about individual VfM projects is included in Appendix 1 under the relevant strategic area.
- 3.15 A summary of current progress toward VfM savings is shown below and a detailed breakdown for each project is provided at Appendix 3.

Value for Money Programme (All Phases) - 2011/12 Monitoring

Current VfM Target 2011/12 = £7.752m (Full Year = £9.502m)



Total Savings of £7.529m achieved against a target of £7.752m

Collection Fund

3.16 The collection fund is a separate account for transactions in relation to national non domestic rates, council tax and precept demands. Any deficit or surplus forecast on the collection fund in relation to council tax is distributed between the council, Sussex Police and East Sussex Fire Authority in proportion to the value of the respective precept on the collection fund. The council's share of the collection fund deficit at 31st March 2012 was £0.713m, which represents an improvement of £0.137m from the deficit reported at month 9. Council tax collection was above target and the deficit is entirely as a result of a lower than anticipated liability mainly resulting from increased exemptions awarded.

Housing Revenue Account

3.17 The Housing Revenue Account is a separate ringfenced account which covers income and expenditure related to the management and operation of the council's housing stock. Expenditure is generally funded by Council Tenants' rents. The forecast outturn on the HRA is summarised in the table below. More detail is provided in Appendix 1.

Forecast Variance Month 9 £'000		2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
	Housing Revenue Account				
(1,025)	Expenditure	50,330	48,178	(2,152)	-4.3%
136	Income	(50,330)	(50,197)	133	0.3%
(889)	Total	-	(2,019)	(2,019)	

Capital Budget 2011/12

- 3.18 The table below provides a summary of the capital programme by strategic theme and shows an overall underspend of (£0.899m). Within Appendix 1 for each budget area there is a breakdown of the capital programme by Unit.

Forecast Variance Month 9 £'000	Budget Area	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Outturn Month 12 %
0	People	25,951	25,948	(3)	0.0%
(1,134)	Place	87,946	86,404	(1,542)	-1.8%
310	Communities	2,482	3,045	563	22.7%
(150)	Resources & Finance	4,104	4,187	83	2.0%
(974)	Total Capital	120,483	119,584	(899)	-0.7%

- 3.19 Appendix 1 provides details of changes to capital schemes which are included in the budget figures above. Policy & Resources Committee approval for these changes is required under the council's Financial Regulations. Some of the changes are necessary for the Council to comply with International Financial Reporting Standards (IFRS) for the Statement of Accounts and where significant changes have occurred an explanation is contained in Appendix 1.

Capital Budget Movement	2011/12 Budget £'000
Summary	
Approved Budget Month 9	82,715
Changes reported to previous Cabinet meetings	122
New Schemes	0
IFRS Accounting Changes	47,348
Variations to Budget (to be approved by Policy & Resources Committee)	(8,167)
Slippage	(1,535)
Total Capital	120,483

- 3.20 Appendix 4 shows an analysis of movements in the capital budget including new schemes, IFRS accounting changes, re-profiled schemes (carry forwards) to the 2012/13 programme and 'slippage'.
- 3.21 The slippage declared into next year has been included under the schemes identified in Appendix 4. Project managers have forecast that £1.535m of the capital budget will slip into the next financial year, which, when added to the

amount in month 9 of £3.544m, gives a total slippage for the year of £5.079m or 4.22% of the capital budget.

- 3.22 Certain capital schemes have the potential to have significant revenue budget implications if they are not delivered according to timetable. Progress on these more critical schemes is reported regularly through the TBM reports. These schemes are shown in the table below. More detail on these schemes is provided in Appendix 1 under the relevant budget area.

Budget Area	Scheme	Budget (£'000)	Description
People	New Primary School Places	9,969	Delivery critical to keep pace with anticipated increased demand for primary school places (budget after a reprofile of £0.043m).
Place	Vehicle Replacement	475	Forms part of the VfM programme. Delivery is critical to enable planned revenue savings from improved fleet management (budget after a reprofile of £0.201m).
Resources	Accommodation Strategy	2,754	Forms part of the Workstyles VfM programme. Delivery is critical to enable planned vacation of Priory House (budget after a reprofile of £0.093m).
Resources	Solar Panel Implementation	0	£0.250m re-profiled into 2012/13 for 3 corporate buildings. The remaining budget is not required following the report to Cabinet on 19 th January.
Total		13,535	

Capital Receipts

- 3.23 Capital receipts are used to support the capital programme. For 2011/12 capital receipts (excluding 'right to buy' sales) of £0.870m have been received which includes the disposal of 47 Middle Street, Ovingdean and 34 Roedean Crescent and the second instalments for the deposits on Charter Hotel, Kings Road and the Ice Rink at Queens Square. The target for capital receipts was £0.820m and this has been exceeded by £0.050m.
- 3.24 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 2011/12 is £0.389m, the target level of net receipts was £0.638m, a shortfall of £0.249m.
- 3.25 The first tranche of receipts totalling £6.462m from the housing Local Delivery Vehicle (LDV) have been received in 2011/12. The net receipts are ringfenced to support investment in council owned homes.

Comments by the Director of Finance

- 3.26 The provisional outturn is very encouraging from a financial management perspective, particularly given the scale of the savings that have been implemented during 2011/12, and releases further one-off resources to support the challenging budgets for 2012/13 and 2013/14. It is important to note that the overall underspend, while substantial in cash terms, only represents a 1.9% variance on the net General Fund revenue budget.
- 3.27 When the Council set its budget it assumed an underspend of £3.187m and committed all of those resources in setting the 2012/13 budget. The additional underspend at year end over and above that originally assumed is £1.183m greater releasing additional unallocated resources. This report proposes to commit £0.662m to new initiatives, leaving £0.521m available to meet the commitments relating to Saltdean Lido and support the 2013/14 budget setting process.
- 3.28 The report sets out the detailed explanations for the underspend but there are a number of common themes that have continued to be in evidence from month 9 through to outturn:
- the continued positive impact of the Value for Money Programme on corporate critical social care spending in both children's and adults services including significant over-achievement of the Children's Services VfM project;
 - advance planning for the delivery of savings for 2012/13;
 - a recognition across the organisation of the budget challenges that are being faced resulting in tight control on discretionary spend, recruitment, agency spend and consultancy spend.
- 3.29 All the key areas of underspend have been analysed to determine whether they are one-off or recurrent. These checks will continue as we progress through 2012/13 and we see early spending forecasts to help inform budget planning for 2013/14 and 2014/15.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 No specific consultation has been 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 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: Oliver Dixon

Date: 23/05/2012

Equalities Implications:

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

Sustainability Implications:

- 5.4 The report includes progress in meeting energy savings targets set out in the VfM Phase 3 programme.

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 minimum working balance of £9.000m 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

Public Health Implications:

- 5.7 There are no direct public health 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 provisional outturn position on council controlled budgets is an underspend of £3.831m. In addition there is an underspend of £0.539m on the NHS managed S75 budgets. As mentioned above, subject to approval underspending will release one-off resources and carry-forwards that can be used to help services manage the challenging budget and savings required in 2012/13.

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. Service Revenue Outturn Forecasts
2. Carry Forward Requests
3. VfM Programme Benefits Realisation
4. Capital Outturn Summary

Documents in Members' Rooms

None.

Background Documents

None.