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|--------------------------|---|---|---------------------|
| Subject: | Targeted Budget Management (TBM) 2013/14 Month 2 | | |
| Date of Meeting: | 11 July 2013 | | |
| Report of: | Executive Director of Finance & Resources | | |
| Contact Officer: | Name: | Jeff Coates | Tel: 29-2364 |
| | Email: | Jeff.coates@brighton-hove.gov.uk | |
| Ward(s) affected: | All | | |

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

- 1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out the forecast outturn position as at Month 2 on the council's revenue and capital budgets for the financial year 2013/14.
- 1.2 This is a very early forecast based on information available as at the end of May 2013. While seasonal and other factors have been taken into account in projecting expenditure and income for the year, the accuracy of projections at this early stage is likely to be more variable. The forecast for month 2 should therefore be regarded as a forecast of the level of potential risk that could arise if no further action were taken. Although an overspend is forecast, there are many months remaining in which to take mitigating actions or develop other recovery measures to improve the position and reduce potential risks.

2 RECOMMENDATIONS:

- 2.1 That the Committee note the forecast outturn position for the General Fund, which is an overspend of £3.388m.
- 2.2 That the Committee note the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £0.123m.
- 2.3 That the Committee note the forecast outturn position for the Dedicated Schools Grant which is an underspend of £0.208m.
- 2.4 That the Committee note the forecast outturn position on the capital programme.
- 2.5 That the Committee approve the following changes to the capital programme.
 - i) The new schemes as set out in Appendix 3.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Targeted Budget Management (TBM) Reporting Framework

- 3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy & Resources Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending together with more regular monitoring of high risk 'corporate critical' areas as detailed below.
- 3.2 The TBM report is normally split into 8 sections as follows:
- i) General Fund Revenue Budget Performance
 - ii) Housing Revenue Account (HRA) Performance
 - iii) Dedicated Schools Grant (DSG) Performance
 - iv) NHS Controlled S75 Partnership Performance
 - v) Capital Investment Programme Performance
 - vi) Capital Programme Changes
 - vii) Implications for the Medium Term Financial Strategy (MTFS)
 - viii) Comments of the Director of Finance (statutory S151 officer)

General Fund Revenue Budget Performance (Appendix 1)

- 3.3 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. More detailed explanation of the variances can be found in Appendix 1.

| 2012/13 Provisional Outturn £'000 | Directorates | 2013/14 Budget Month 2 £'000 | Forecast Outturn Month 2 £'000 | Forecast Variance Month 2 £'000 | Forecast Variance Month 2 % |
|--|---------------------------------------|---------------------------------------|---|--|--------------------------------------|
| (4,157) | Children's Services | 59,453 | 58,142 | (1,311) | -2.2% |
| (1,789) | Adult Services | 61,937 | 64,827 | 2,890 | 4.7% |
| 1,718 | Environment, Development & Housing | 47,301 | 47,674 | 373 | 0.8% |
| 404 | Assistant Chief Executive | 12,732 | 12,953 | 221 | 1.7% |
| 150 | Public Health | 1,628 | 1,628 | 0 | 0.0% |
| (798) | Finance, Resources & Law | 37,776 | 37,906 | 130 | 0.3% |
| (4,472) | Sub Total | 220,827 | 223,130 | 2,303 | 1.0% |
| 271 | Corporate Budgets | 2,281 | 3,366 | 1,085 | -47.6% |
| (4,201) | Total Council Controlled Budgets | 223,108 | 226,496 | 3,388 | 1.5% |

- 3.4 The General Fund includes general council services, corporate budgets and central support services. Corporate budgets include centrally held provisions and budgets (e.g. insurance) as well as some cross-cutting value for money savings targets. General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools).

Corporate Critical Budgets

- 3.5 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict and where relatively small changes in demand can have significant implications for the council's budget strategy. These therefore undergo more frequent and detailed analysis.
- 3.6 As mentioned earlier, this is a very early forecast and, in particular, the corporate critical budget forecasts should be viewed with a note of caution. They are based on current activity levels and commitments but these can fluctuate significantly over the year. Mitigating recovery actions can change the financial outlook substantially, even for small changes in activity levels but the opposite also applies, hence the reason for closer scrutiny of these areas.

| 2012/13 Provisional Outturn £'000 | | 2013/14 Budget Month 2 £'000 | Provisional Outturn Month 2 £'000 | Provisional Variance Month 2 £'000 | Provisional Variance Month 2 % |
|--|---------------------------|---------------------------------------|--|---|---|
| | Corporate Critical | | | | |
| (3,467) | Child Agency & In House | 19,535 | 18,678 | (857) | -4.4% |
| (2,055) | Community Care | 41,477 | 43,630 | 2,153 | 5.2% |
| 404 | Sustainable Transport | (15,674) | (15,849) | (175) | -1.1% |
| 109 | Temporary Accommodation | 1,826 | 2,129 | 303 | 16.6% |
| (413) | Housing Benefits | (569) | (569) | - | 0.0% |
| (5,422) | Total Council Controlled | 46,595 | 48,019 | 1,424 | 3.1% |

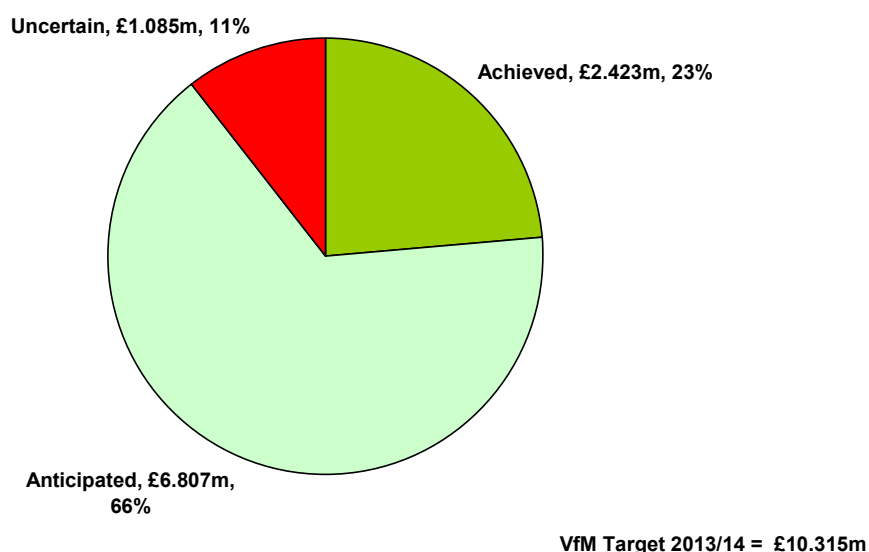
Value for Money (VfM) Programme (Appendix 2)

- 3.7 TBM reports also provide updates on the council's Value for Money programme. The VfM programme contains a number of large, complex projects which include additional temporary resources (e.g. Project Managers) to ensure they are properly planned and implemented. Projects can have significant financial and non-financial targets attached to them and their successful implementation is therefore important to the overall financial health of the authority.
- 3.8 Some VfM 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 quantifies progress 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). Those that are uncertain are given greatest attention and details of mitigating actions are given wherever possible.

3.9 At this very early stage most of the VFM savings are subject to confirmation but are anticipated to be achieved. There is one key area of risk regarding Accelerated Service Redesign which was backed by a Voluntary Severance Scheme. This has so far underachieved by £1.085m (£1.300m full year). Further information about the risks and actions relating to uncertain savings is given in Appendix 2.

Value for Money Programme (All Phases) - 2013/14 Monitoring



Housing Revenue Account Performance (Appendix 1)

3.10 The Housing Revenue Account is a separate ring-fenced 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.

| 2012/13 Provisional Outturn £'000 | | 2013/14 Budget Month 2 £'000 | Forecast Outturn Month 2 £'000 | Forecast Variance Month 2 £'000 | Variance Month 2 % |
|--------------------------------------|-------------|------------------------------------|--------------------------------------|---------------------------------------|--------------------------|
| | HRA | | | | |
| (1,521) | Expenditure | 56,289 | 56,136 | (153) | -0.3% |
| (442) | Income | (56,289) | (56,259) | 30 | 0.1% |
| (1,963) | Total | - | (123) | (123) | |

Dedicated schools Grant Performance (Appendix 1)

- 3.11 The Dedicated Schools Grant (DSG) is a ring-fenced grant which can only be used to fund expenditure on the schools budget. The schools budget includes elements for a range of services provided on an authority-wide basis including early years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school. The current forecast is an underspend of £0.208m and more details are provided in Appendix 1. Under the Schools Finance Regulations any underspend must be carried forward to support the schools budget in future years.

NHS Managed S75 Partnership Performance (Appendix 1)

- 3.12 The NHS Trust-managed Section 75 Services represent those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Foundation Trust (SPFT) and Sussex Community NHS Trust (SCT) and include health and social care services for Adult Mental Health, Older People Mental Health, Substance Misuse, AIDS/HIV, Intermediate Care and Community Equipment.
- 3.13 These partnerships are subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements can result in financial implications for the council should a partnership be underspent or overspent at year-end and hence the performance of the partnerships is reported as a memorandum item under TBM throughout the year.

| 2012/13 Provisional Outturn £'000 | | 2013/14 Budget Month 2 £'000 | Forecast Outturn Month 2 £'000 | Forecast Variance Month 2 £'000 | Forecast Variance Month 2 % |
|--|--|---------------------------------------|---|--|--------------------------------------|
| (409) | Section 75 NHS Trust managed S75 Services | 12,536 | 12,758 | 222 | 1.8% |

Capital Programme Performance and Changes

- 3.14 The table below provides a summary of capital programme performance by strategic theme and shows that overall the programme is forecast to break-even at this early stage.

| 2012/13 Provisional Outturn £'000 | | 2013/14 Budget Month 2 £'000 | Forecast Outturn Month 2 £'000 | Forecast Variance Month 2 £'000 | Forecast Outturn Month 2 % |
|--|---|---------------------------------------|---|--|-------------------------------------|
| (503) | Capital Budgets Children's Services | 26,158 | 26,158 | 0 | 0.0% |
| (2) | Adult Services | 2,490 | 2,490 | 0 | 0.0% |
| (758) | Environment, Development & Housing - GF | 22,064 | 22,064 | 0 | 0.0% |

| | | | | | |
|---------|--|----------------|----------------|----------|-------------|
| (979) | Environment, Development & Housing - HRA | 35,100 | 35,100 | 0 | 0.0% |
| (15) | Assistant Chief Executive | 12,317 | 12,317 | 0 | 0.0% |
| (29) | Finance, Resources & Law | 9,300 | 9,300 | 0 | 0.0% |
| (2,286) | Total Capital | 107,429 | 107,429 | 0 | 0.0% |

- 3.15 Appendix 3 provides details of the new schemes to be added to the capital programme which are included in the budget figures above. Policy & Resources Committee's approval for these changes is required under the council's Financial Regulations. The following table shows the movement in the capital budget since approval at Budget Council.

| Capital Budget Movement | 2013/14 Budget £'000 |
|--|-----------------------------|
| Summary | |
| Budget approved at Budget Council | 83,562 |
| New schemes included in approved budget where further reports are needed before inclusion in the capital programme | (12,400) |
| Slippage & Reprofiles Budget Approved in the Outturn report | 21,018 |
| New Schemes Approved in the Outturn Report | 299 |
| Reported at other Committees | 3,092 |
| Total | 95,571 |
| | |
| New schemes included in the report to Budget Council but needing further information which has been included in this report - Disabled Facilities Grant £0.7m, Highways Maintenance Funding £0.594m and all the Education funding except for the Cardinal Newman school extension (appendix 3) | 9,094 |
| Increases in grant since the initial budget report for the schemes above (appendix 3) | 1,168 |
| New schemes (to be approved - see appendix 3) | 1,596 |
| Total Capital | 107,429 |

Implications for the Medium Term Financial Strategy (MTFS)

- 3.16 The council's MTFS sets out resource assumptions and projections over a longer term. It is periodically updated including a major annual update which is included in the annual revenue budget report to Policy & Resources Committee and Full Council. This section highlights any potential implications for the current MTFS arising from in-year TBM monitoring above and details any changes to financial risks together with any impact on associated risk provisions, reserves and contingencies. Details of Capital Receipts and Collection Fund performance are also given below because of their potential impact on future resources.
- 3.17 Details of risk provisions currently held are given in the Corporate Budgets section of Appendix 1. At this very early stage of the year no risk provisions have

been deployed as mitigating actions and recovery plans need to be implemented before re-assessing the financial position and the level of forecast risk.

Capital Receipts Performance

- 3.18 Capital receipts are used to support the capital programme. Any changes to the anticipated 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 and projects such as the Strategic Investment Fund, Asset Management Fund, ICT Fund and the Workstyles VFM projects. For 2013/14 £9.558m capital receipts have been received to date including the completed disposal of Amex House and the disposal of the Ice Rink at Queens Square. These receipts are already assumed within the planned resources expected to be available to fund the current capital programme.
- 3.19 The Government receives a proportion of the proceeds of 'right to buy' sales with a proportion required by the council to repay debt; the remainder is retained by the council and used to fund the capital programme. The estimated net usable receipts for 'right to buy' sales in 2013/14 is £0.380m and to date £0.195m has been received.

Collection Fund Performance

- 3.20 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.
- 3.21 The collection fund had a surplus of £0.500m at 31 March 2013 and the council's share of this (£0.400m) will be built into resources for 2014/15. There have been a number of changes to the council tax discounts and exemptions from the 1st April 2013 and the impact of some of the changes appears to be favourable in terms of fewer discounts awarded than anticipated. However, it is too early to calculate the trends on this through the remainder of the year and the impact this is having on collection. Therefore for the purposes of the resource projections the outturn position for 2013/14 is currently forecast to breakeven.

Comments of the Director of Finance (S151 Officer)

- 3.22 This is clearly a very early forecast that indicates a level of forecast risk that must be urgently attended to, particularly in relation to Adult Social Care. Mitigating actions and recovery plans are being developed and implemented which should reduce the forecast risk. The Accelerated Service Redesign forecast risk is more problematic as the Voluntary Severance Scheme has now ended. This may require the use of one off risk provisions if performance across the whole General Fund budget cannot be improved significantly throughout the year.
- 3.23 Executive Directors will keep the position under close scrutiny and will take appropriate action to reduce spending, manage vacancies and develop financial recovery plans where necessary.

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.

Finance Officer Consulted: Jeff Coates Date: 18/06/13

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.

5.3 As regards the proposed capital loan to Cardinal Newman School detailed in Appendix 3, arrangements for loan repayments in the event of conversion to an academy would follow established principles and guidance issued by the Department for Education and other relevant bodies.

Lawyer Consulted: Oliver Dixon Date: 18/06/13

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 and Opportunity Management Implications:

5.7 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 recommended minimum working balance of £9.000m to mitigate these risks. The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

Public Health Implications:

- 5.8 There are no direct public health implications arising from this report.

Corporate / Citywide Implications:

- 5.9 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 overspend of £3.388m. Any underspend at year-end would release one off resources that can be used to aid budget planning for 2014/15. Any overspend will need to be funded from general reserves which would then need to be replenished to ensure that the working balance did not remain below £9.000m.

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. Revenue Budget Performance
2. Value for Money Programme Performance
3. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.

