

<b>Subject:</b>	<b>Targeted Budget Management (TBM) 2013/14 Month 5</b>		
<b>Date of Meeting:</b>	<b>17 October 2013</b>		
<b>Report of:</b>	<b>Executive Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jeff Coates</b>	<b>Tel:</b> 29-2364
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<b>Ward(s) affected:</b>	<b>All</b>		

**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 5 on the council's revenue and capital budgets for the financial year 2013/14.
- 1.2 Early forecasts for the year indicated significant potential pressures and forecast overspending. Month 5 shows the position to be improving overall as we approach the mid-point of the year but there remain significant pressures and forecast risks to manage across the General Fund Revenue Budget.

**2 RECOMMENDATIONS:**

- 2.1 That the Committee note the forecast outturn position for the General Fund, which is an overspend of £2.413m.
- 2.2 That the Committee note the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £0.150m.
- 2.3 That the Committee note the forecast outturn position for the Dedicated Schools Grant which is an underspend of £0.309m.
- 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 variations and reprofiles in Appendix 3 and the new schemes as set out in Appendix 4.

**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.

Month 2 Forecast Variance £'000	<b>Directorate</b>	2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
(1,311)	Children's Services	59,166	57,697	(1,469)	-2.5%
2,890	Adult Services	62,221	64,808	2,587	4.2%
373	Environment, Development & Housing	46,723	47,201	478	1.0%
221	Assistant Chief Executive	12,757	12,908	151	1.2%
0	Public Health	1,807	1,815	8	0.4%
130	Finance, Resources & Law	39,485	38,886	(599)	-1.5%
2,303	Sub Total	222,159	223,315	1,156	0.5%
1,085	Corporate Budgets	11,728	12,985	1,257	-10.7%
3,388	Total Council Controlled Budgets	233,887	236,300	2,413	1.0%

- 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 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.

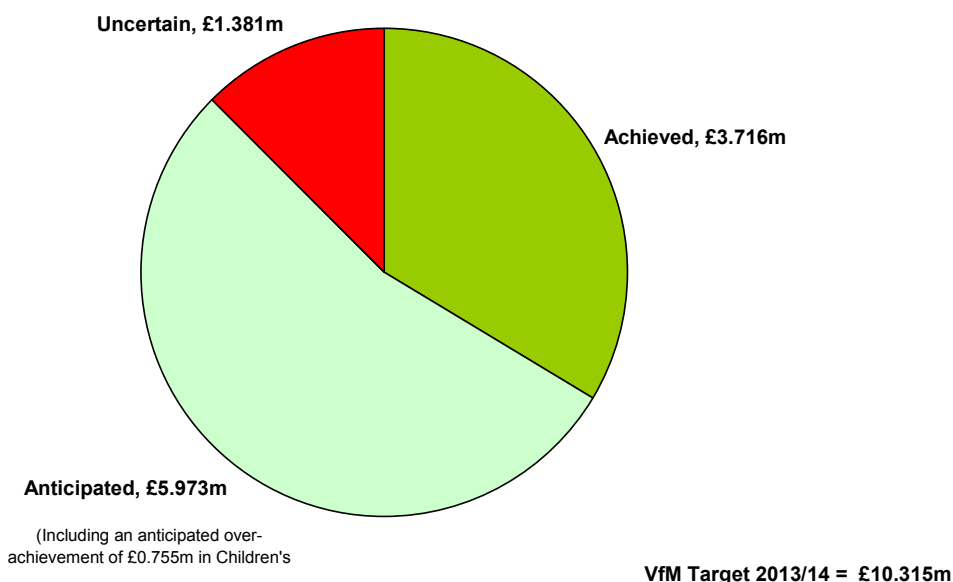
Month 2 Forecast Variance £'000	<b>Corporate Critical</b>	2012/13 Budget Month 5 £'000	Provisional Outturn Month 5 £'000	Provisional Variance Month 5 £'000	Provisional Variance Month 5 %
(857)	Child Agency & In House	19,471	18,448	(1,023)	-5.3%
2,153	Community Care	41,427	43,268	1,841	4.4%
(175)	Sustainable Transport	(15,781)	(16,026)	(245)	-1.6%
303	Temporary Accommodation	1,372	1,574	202	14.7%
0	Housing Benefits	(569)	(569)	0	0.0%
1,424	Total Council Controlled	45,920	46,695	775	1.7%

### 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 stage there are two key areas of risk regarding Accelerated Service Redesign, which was supported by a Voluntary Severance Scheme, and category spend on IT hardware and software outside of the ICT service.

Accelerated Service Redesign has so far underachieved by £1.126m (£1.295m full year) while there is a pressure of £0.229m on IT category spend. 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.

Month 2 Forecast Variance £'000	HRA	2013/14 Budget £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
(153)	Expenditure	56,289	56,175	(114)	-0.2%
30	Income	(56,289)	(56,325)	(36)	-0.1%
(123)	Total	-	(150)	(150)	

### 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 £0.309m 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.

Month 2 Forecast Variance £'000		2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
212	<b>Section 75</b> NHS Trust managed S75 Services	12,071	12,360	289	2.4%

### Capital Programme Performance and Changes

- 3.14 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £0.284m.

Month 2 Forecast Variance £'000		2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Outturn Month 5 %
0	<b>Capital Budgets</b>				
0	Children's Services	26,304	26,304	0	0.0%
0	Adult Services	3,470	3,470	0	0.0%
0	Environment, Development & Housing – General Fund	23,671	23,671	0	0.0%
0	Environment, Development & Housing - HRA	33,576	33,452	(124)	-0.4%
0	Assistant Chief Executive	12,589	12,429	(160)	-1.3%
0	Finance, Resources & Law	10,552	10,552	0	0.0%
0	<b>Total Capital</b>	<b>110,162</b>	<b>109,878</b>	<b>(284)</b>	<b>-0.3%</b>

- 3.15 Appendix 3 shows the changes to the budget and Appendix 4 provides details of 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 in the Month 2 report.

<b>Capital Budget Movement</b>	<b>2013/14 Budget £'000</b>
<b>Summary</b>	
Budget approved at Month 2	107,429
Reported at this Committee since Month 2	1,160
New Schemes (to be approved)	2,367
Variations (to be approved)	968
Reprofiles (to be approved)	(1,762)
Slippage (to be approved)	0
<b>Total Capital</b>	<b>110,162</b>

### **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 stage of the year no risk provisions have been deployed as mitigating actions and recovery plans continue to be implemented. The financial position and the level of forecast risk will be reviewed for Month 7 and the potential use of risk provisions will be considered alongside a Budget Update and Progress report to the December Policy & Resources Committee.

### 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 £9.896m capital receipts have been received to date including the completed disposal of Amex House, the disposal of the Ice Rink at Queens Square and the sale of the Council's civic car number plate. These receipts are already assumed within the planned resources expected to be available to fund the current capital programme.
- 3.19 The forecast for the 'right to buy' sales 2013/14 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 60 homes will be sold with a maximum useable receipt of £0.428m to fund the

corporate capital programme and net retained receipt of £2.975m available to re-invest in replacement homes. To date, 31 homes have been sold in 2013/14.

### Collection Fund Performance

- 3.20 The collection fund is a separate account for transactions in relation to council tax and business rates. Any deficit or surplus forecast on the collection fund relating to council tax is distributed between the council, Sussex Police and East Sussex Fire Authority whereas any forecast deficit or surplus relating to business rates is shared between, the council, government and East Sussex Fire Authority.
- 3.21 The projected collection fund surplus position at 31st March 2014 on council tax is (£1.459m) and the council's share of this (£1.246m). This includes the brought forward surplus from 2012/13 of (£0.497m). There is a lower than budgeted caseload on council tax reduction discounts which accounts for (£0.976m) of the surplus, there is a higher level of new properties than estimated of (£0.264m) which is offset by a higher level of Single Person Discounts £0.278m. The projected surplus at 15th January 2014 will be incorporated into the 2014/15 budget. An updated position on business rates is due to be produced using data at the 30th September and will be reported in the next TBM report and budget report.

### **Comments of the Director of Finance (S151 Officer)**

- 3.22 The month 5 position is clearly showing improvement and this is expected to continue across most services over coming months. The Adult Social Care position is of most concern and options are being considered for partial mitigation of this, working together with Housing colleagues. The Accelerated Service Redesign VFM forecast risk remains problematic as the Voluntary Severance Scheme has now ended, however, options for further service redesign are being explored. As mentioned above, the potential use of risk provisions to mitigate some of these pressures will be considered at Month 7 alongside the Budget Update report to the December committee meeting.
- 3.23 Executive Directors will continue to keep the position under close scrutiny and will take appropriate action to reduce spending, manage vacancies and develop financial recovery plans where necessary.
- 3.24 Members should also note that it has recently come to light that there is dispute between local authorities and Public Health England in relation to prescribing costs. The ring-fenced transfer of £18.2m does not include provision for certain additional prescription costs and services but Public Health England are indicating that this is now the responsibility of local authorities. The potential financial risk to this council is circa £1.0m. Discussions are being held at a regional level to resolve this dispute.

## **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: 21/09/13*

### 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 unsupported borrowing for Longhill School detailed in Appendix 4, 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: 21/09/13*

### 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 £2.413m. 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. Capital Programme Performance
4. New Capital Schemes

### **Documents in Members' Rooms:**

None.

### **Background Documents**

None.

