

Subject:	Targeted Budget Management (TBM) 2014/15 Month 2		
Date of Meeting:	11 July 2014		
Report of:	Executive Director of Finance & Resources		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1 PURPOSE OF REPORT 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 2014/15.
- 1.2 This is a very early forecast based on information available as at the end of May 2014. 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. In addition, as this is the first forecast for the year and will have only been available to services for a matter of days, corrective action or recovery measures will not have been fully developed. 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 a significant 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. However, the position clearly indicates significant pressures across social care budgets.

2 RECOMMENDATIONS:

- 2.1 That the Committee note the total forecast outturn position for the General Fund, which is an overspend of £6.031m. This consists of an overspend of £5.851m on council controlled budgets and an overspend of £0.180m on the council's share of the NHS managed Section 75 services.
- 2.2 To agree the transfer of £0.500m recurrent risk provision to Adult Social Care following the decision not to progress a Local Authority Trading Company, thus reducing the forecast overspend to £5.531m.
- 2.3 That the Committee note that there is a further £1.890m of as yet unallocated risk provision that could be used to mitigate against this overspend.
- 2.4 That the Committee note the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £0.029m.

- 2.5 That the Committee note the forecast outturn position for the Dedicated Schools Grant which is an overspend of £0.007m.
- 2.6 That the Committee note the forecast outturn position on the capital programme.
- 2.7 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.
- 2.8 That the Committee delegate authority to the Executive Director of Finance & Resources in consultation with the Chair of Policy & Resources Committee and the Opposition Leaders to commit a maximum of £50,000 capital expenditure as an investment in the Municipal Bonds Agency subject to the conditions set out in paragraph 3.15.

3 CONTEXT / BACKGROUND INFORMATION

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 Executive Director of Finance & Resources (statutory S151 officer)

General Fund Revenue Budget Performance (Appendix 1)

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

2013/14 Provisional Outturn £'000	Directorate	2014/15 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
(1,676)	Children's Services	57,629	59,564	1,935	3.4%
1,826	Adult Services	62,080	65,849	3,769	6.1%
(687)	Environment, Development & Housing	43,021	42,795	(226)	-0.5%
164	Assistant Chief Executive	17,249	17,368	119	0.7%
(21)	Public Health	4,567	4,614	47	1.0%
(959)	Finance, Resources & Law	31,072	31,121	49	0.2%
(1,353)	Sub Total	215,618	221,311	5,693	2.6%
163	Corporate Budgets	5,747	5,905	158	2.7%
(1,190)	Total Council Controlled Budgets	221,365	227,216	5,851	2.6%

- 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

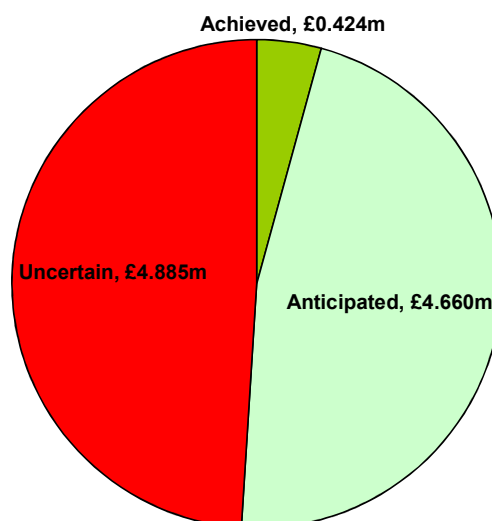
- 3.5 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict and where relatively small changes in demand can have 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.

2013/14 Provisional Outturn £'000	Corporate Critical	2014/15 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
(1,271)	Child Agency & In House	19,578	21,368	1,790	9.1%
1,634	Community Care	40,251	42,505	2,254	5.6%
(233)	Sustainable Transport	(16,245)	(16,615)	(370)	-2.3%
(865)	Temporary Accommodation	1,593	1,365	(228)	-14.3%
(137)	Housing Benefits	(613)	(613)	-	0.0%
(872)	Total Council Controlled	44,564	48,010	3,446	7.7%

Value for Money (VfM) Programme (Appendix 2)

- 3.7 Policy & Resources Committee received a report on the next stage of the council's Value for Money Programme (Phase 4) at the committee's June meeting. The savings and resources attaching to Phase 4 are still being refined and will predominantly focus on savings for 2015/16 although some part-year savings are expected in 2014/15. In the meantime, current Phase 3 VfM projects will continue with the savings targets identified and approved by Council as part of the 2014/15 budget.
- 3.8 VfM projects generally 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). The chart below shows that there is considerable risk at present in relation to social care related VfM workstreams. More detail is provided in Appendix 1 and Appendix 2.

Value for Money Programme (All Phases) - 2014/15 Monitoring



VfM Target 2014/15 = £9.969m

Housing Revenue Account Performance (Appendix 1)

- 3.9 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 provisional outturn on the HRA is summarised in the table below. More detail is provided in Appendix 1.

2013/14 Provisional Outturn £'000		2014/15 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 12 %
	HRA				
55,565	Expenditure	58,780	58,751	(29)	0.0%
(56,331)	Income	(58,780)	(58,780)	-	0.0%
(766)	Total	-	(29)	(29)	

Dedicated Schools Grant Performance (Appendix 1)

- 3.10 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 forecast outturn is currently an overspend of £0.007m 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)

- 3.11 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.
- 3.12 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.

2013/14 Provisional Outturn £'000		2014/15 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
	Section 75				
105	NHS Trust managed S75 Services	11,695	11,875	180	1.5%

Capital Programme Performance and Changes

- 3.13 The table below provides a summary of capital programme performance by Directorate and shows that overall it is forecast to break even at this early stage.

2013/14 Outturn Variance £'000		2014/15 Budget Month 2 £'000	Provisional Outturn Month 2 £'000	Provisional Variance Month 2 £'000	Provisional Outturn Month 2 %
	Capital Budgets				
(7)	Children's Services	19,633	19,633	0	0.0%
3	Adult Services	530	530	0	0.0%
(46)	Environment, Development & Housing – General Fund	20,364	20,364	0	0.0%
(73)	Environment, Development & Housing - HRA	34,566	34,566	0	0.0%
(14)	Assistant Chief Executive	17,996	17,996	0	0.0%
0	Public Health	252	252	0	0.0%
(76)	Finance, Resources & Law	9,678	9,678	0	0.0%
(213)	Total Capital	103,019	103,019	0	0.0%

- 3.14 Appendix 3 shows the changes to the budget and Appendix 4 provides details of new schemes for 2014/15 to be added to the capital programme. 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	2014/15 Budget £'000
Summary	
Budget approved at Budget Council	79,975
New schemes included in the Budget above where further reports to Policy & Resources are needed before inclusion in the programme	(3,545)
Slippage and reprofiles approved in the Outturn report	10,465
New schemes approved in the Outturn report (£1.763m in report less £0.686m Brighton Digital Exchange as funding met from the Super Connected Cities programme already in the approved budget)	1,077
Reported at other Policy & Resources committees for inclusion in 2014/15 year (i360 £17m, additional Local Transport Programme £1.420m and a Dorothy Stringer school scheme of £0.142m)	18,562
New schemes to be approved in this report (Appendix 4)	365
Reprofiles and variations to be approved in this report (Appendix 3)	(3,880)
Slippage	0
Total Capital Budget	103,019

- 3.15 The Local Government Association is seeking investment from all local authorities in the Municipal Bonds Agency that it is establishing. Its purpose is described more fully in the Treasury Management report elsewhere on this agenda. The investment would be an equity stake and thus should be treated as capital expenditure. At the time of writing this report there was insufficient information on which to provide proper advice to members about the merits of the proposed investment which does carry significant risk but which may be beneficial to the wider local government community as a whole. However there is a deadline for commitment of x September, prior to the next Policy & Resources Committee. Therefore delegated authority to commit a maximum of £50,000 to the Agency is requested in consultation with the Chair and the Opposition Leaders and subject to identifying sufficient capital funding

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. It is recommended to release £0.500m recurrent risk provision to Adult Social Care following the decision at the previous committee not to progress the development of a Local Authority Trading Company for which a savings target of this value had been included in the 2013/14 Budget. At this very early stage of the year no further risk provisions are recommended to be 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 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. There have been no receipts to date for 2014/15.

The forecast for the 'right to buy sales' 2014/15 (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 £0.474m to fund the corporate capital programme and net retained receipt of £2.727m available to re-invest in replacement homes. To date 4 homes have been sold in 2014/15.

Collection Fund Performance

- 3.19 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.
- 3.20 The collection fund surplus position at 31st March 2014 on council tax was (£1.925m) and the council's share of this was (£1.644m). This was £0.243m lower than anticipated when setting the 2014/15 budget. This shortfall will need to be taken into account in estimating any deficit or surplus during 2014/15. At this stage of the year it is too early to predict any trends or changes in collection fund performance but at this stage a year end break even position is assumed.
- 3.21 The council's share of the surplus on the collection fund for business rates at 31st March 2014 was £1.590m after taking into account the repayment of Safety Net Grant. These resources will be available when setting the 2015/16 budget. The 2014/15 business rates income assumption included projected growth of 0.5% in rateable value as well as a further 1.0% increase through a review of the register. At this stage of the year it is too early to predict whether these assumptions will be delivered and therefore no variance is currently reported.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The provisional outturn position on council controlled budgets is an overspend of £5.851m which would be reduced to £5.351m after the transfer of £0.500m recurrent risk provision to Adult Social Care. In addition, the council's share of the provisional overspend on NHS managed Section 75 services is £0.180m. Any overspend at year end 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. Any underspend would release one off resources that can be used to aid budget planning for future years.

5 COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 No specific consultation has been undertaken in relation to this report.

6 CONCLUSION AND COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE & RESOURCES (S151 OFFICER)

- 6.1 This is clearly an early forecast that indicates a significant level of forecast financial risk that must be urgently attended to, particularly in relation to Adult Social Care and Children's Services. In addition to the decision not to progress the Local Authority Trading Company for Adult Social Care there are other savings included in the budget for Adult Social Care which have been delayed or deferred. It is vital for both the immediate and long term financial position that these are now progressed. There are concerning trends on the corporate critical budgets for Community Care and for Looked After Children which will need further analysis. Mitigating actions and recovery plans are being developed and implemented which should reduce the forecast risk but it is not clear at this stage by how much.

- 6.2 The Executive Leadership Team (ELT) will keep the position under close scrutiny and will take appropriate action to reduce spending, manage vacancies and develop financial recovery plans where necessary.

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

- 7.1 The financial implications are covered in the main body of the report.

Finance Officer Consulted: Jeff Coates Date: 24/06/14

Legal Implications:

- 7.2 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: 24/06/14

Equalities Implications:

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

Sustainability Implications:

- 7.4 There are no direct sustainability implications arising from this report.

Risk and Opportunity Management Implications:

- 7.5 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.

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.