

CABINET

Agenda Item 136

Brighton & Hove City Council

Subject:	Targeted Budget Management (TBM) 2011/12 Month 7		
Date of Meeting:	8 December 2011		
Report of:	Director of Finance		
Lead Cabinet Member:	Cabinet Member for Finance & Central Services		
Contact Officer:	Name:	Jeff Coates	Tel: 29-2364
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Key Decision:	Yes/No	Forward Plan No: CAB 21123	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report sets out the revenue and capital forecast outturn position for 2011/12 as at Month 7.

2. RECOMMENDATIONS:

- 2.1 That Cabinet notes the provisional outturn position for the General Fund, which is an underspend of £0.292m.
- 2.2 That Cabinet notes the forecast outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2011/12.
- 2.3 That Cabinet notes the provisional outturn position on the capital programme.
- 2.4 That Cabinet approves the following changes to the capital programme:
- i) The new schemes, variations and slippage as set out in Appendices 1 & 2.

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 3.16) and capital summaries are included for each of the strategic budget areas within Appendix 1.
- 3.2 The table below shows the provisional outturn forecast for Council controlled revenue budgets within the General Fund and the outturn on NHS managed S75 Partnership Services. Outturn forecasts provide a projection of the anticipated position as at the end of the current financial year (March 2012).
- 3.3 In depth work has been undertaken on the corporate critical budget forecasts and these are summarised in paragraph 3.6. Other budgets are reviewed on a rolling programme although it is expected that all major variances will have been identified. More detailed explanation of the variances can be found in Appendix 1.

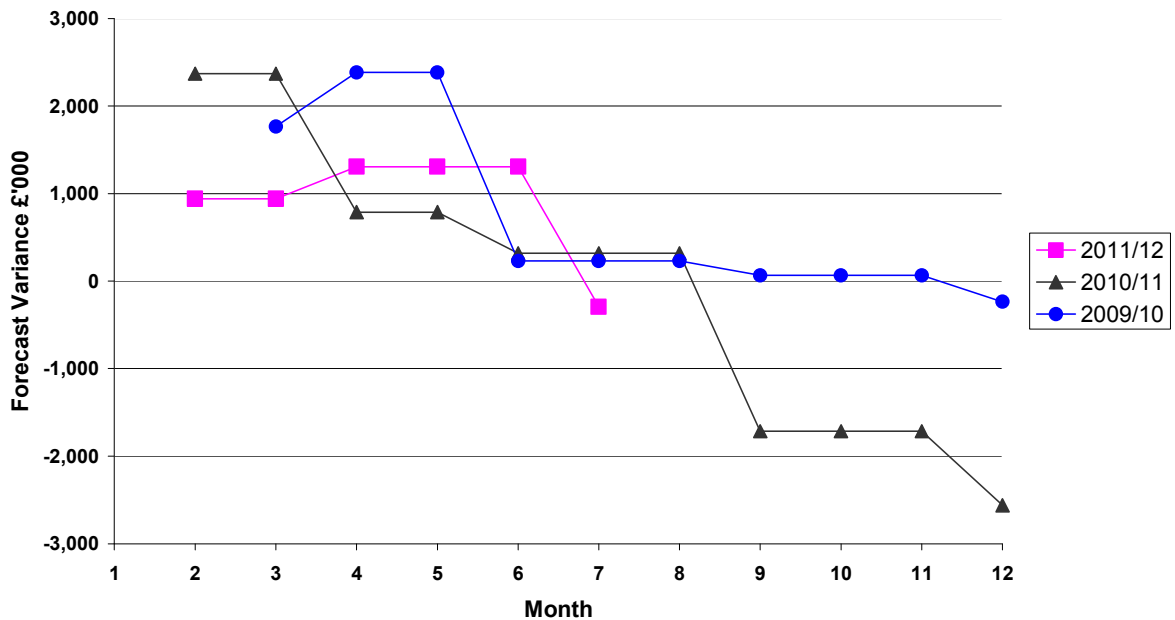
Forecast Variance Month 4 £'000	Directorate	2011/12 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
302	People	132,818	132,099	(719)	-0.5%
531	Place	51,642	51,877	235	0.5%
151	Communities	13,019	13,191	172	1.3%
448	Resources & Finance	40,089	40,209	120	0.3%
1,432	Sub Total	237,568	237,376	(192)	-0.1%
(124)	Corporate Budgets	(4,191)	(4,291)	(100)	-2.4%
1,308	Total Council Controlled Budgets	233,377	233,085	(292)	-0.1%
162	NHS Trust managed S75 Services	14,175	14,223	48	0.3%
1,470	Total Overall Position	247,552	247,308	(244)	-0.1%

- 3.4 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. The financial risk for these services generally lies with the relevant provider Trust.

Comparison with Previous Years

- 3.5 The chart below provides a comparison of the forecasts reported to Cabinet for this and the previous two financial years.

TBM Projections Reported to Cabinet 2009/10 to 2011/12



Corporate Critical Budgets

- 3.6 Targeted Budget Management (TBM) is based on the principle 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.

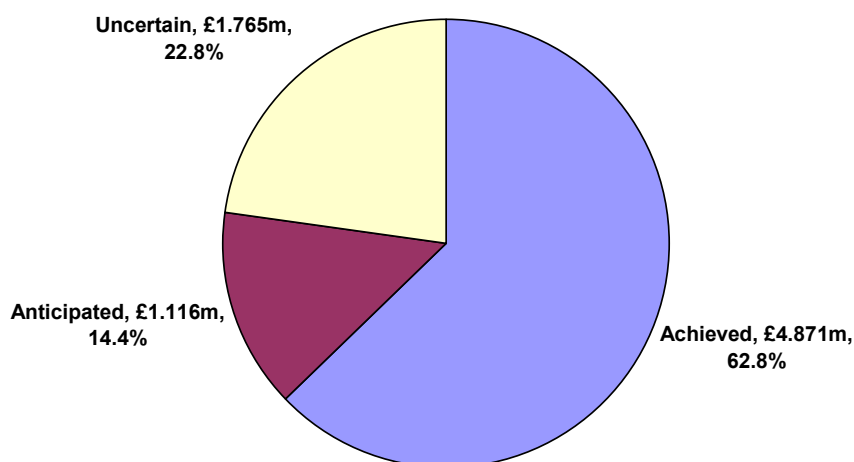
Forecast Variance Month 4 £'000	Corporate Critical	2011/12 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(47)	Child Agency & In House	21,777	21,812	35	0.2%
80	Sustainable Transport	(13,580)	(13,584)	(4)	0.0%
0	Housing Benefits	(738)	(1,093)	(355)	-48.1%
(146)	Community Care	43,817	43,538	(279)	-0.6%
(113)	Total Council Controlled	51,276	50,673	(603)	-1.2%
162	S75 NHS & Community Care	14,175	14,223	48	0.3%
49	Total Corporate Critical Budgets	65,451	64,896	(555)	-0.8%

Value for Money (VfM) Programme

- 3.7 The Value for money programme contains large, complex projects which are effectively resourced and planned in order to achieve the expected financial and non-financial benefits. However, the projects carry significant risks and therefore each month the TBM report will attempt to quantify 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).
- 3.8 There are no significant changes to the level of 'uncertain' savings since month 4, however, the proportion of achieved savings has increased from 33.5% to 62.8%. The overall council underspend position reported above indicates that recovery and other counter measures will more than offset uncertain VfM savings if these are not fully achieved in 2011/12. However, some of these measures are of a one-off nature and therefore every effort will continue to be made to achieve further VfM savings by the end of the financial year since this is critical for the next year's budget position and beyond. Further information about individual VfM projects is included in Appendix 1 under the relevant strategic area.
- 3.9 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 = £10.002m)



Collection Fund

- 3.10 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 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.
- 3.11 The council’s share of the projected collection fund deficit position at 31st March 2012 remains at about £1.100m. Council tax collection remains above target so far this year so the deficit is still entirely as a result of a lower than anticipated liability. Further details of the reduced liability and its impact on the tax base for 2012/13 are included elsewhere on the agenda in the Budget Update and Savings 2012/13 report

Housing Revenue Account

- 3.12 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.

Forecast Variance Month 4 £'000		2011/12 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
	Housing Revenue Account				
(635)	Expenditure	50,330	49,692	(638)	-1.3%
(21)	Income	(50,330)	(50,252)	78	0.2%
(656)	Total	-	(560)	(560)	

Capital Budget 2011/12

- 3.13 The table below provides a summary of the capital programme by strategic theme and shows an overall underspend of £0.916m. Within Appendix 1 for each budget area there is a breakdown of the capital programme by Unit.

Forecast Variance Month 4 £'000	Capital Budgets Budget Area	2011/12 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
0	People	30,677	30,677	0	0.0%
0	Place	47,058	46,142	(916)	-1.9%
0	Communities	3,482	3,482	0	0.0%
0	Resources & Finance	8,680	8,680	0	0.0%
0	Total	89,897	88,981	(916)	-1.0%

- 3.14 Appendix 1 provides details of proposed new capital schemes which are included in the budget figures above. Cabinet approval for new capital schemes is required under the Council's Financial Regulations. It also provides written details of variations (including re-profiled schemes), slippage and underspends. Appendix 2 shows an analysis of these movements and is summarised in the table below.

Capital Budget Movements	2011/12 Budget £'000
Summary	
Approved Budget TBM 4	114,118
Changes reported to other Cabinet meetings	(797)
New Schemes	354
Variations to budget	(21,037)
Slippage	(2,741)
Total Capital Budget at TBM 7	89,897

- 3.15 Project managers have forecast that £2.741m of the capital budget may slip into the next financial year and this equates to 3.05% of the budget. This is reflected in the tables above.

3.16 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 and as at Month 7 no variances have been identified. 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	11,272	Delivery critical to keep pace with anticipated increased demand for primary school places.
Place	Vehicle Replacement	554	Forms part of the VFM programme. Delivery is critical to enable planned revenue savings from improved fleet management.
Resources	Accommodation Strategy	2,847	Forms part of the Workstyles VFM programme. Delivery is critical to enable planned vacation of Priory House.
Resources	Solar Panel Implementation	2,600	Solar panels are timetabled to be installed before 31 March 2012 to qualify for the Feed in Tariff payments and deliver VFM savings.
Total		17,273	

Capital Receipts

3.17 Capital receipts are used to support the capital programme. For 2011/12 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. Capital receipts (excluding housing) are estimated to be £0.820m for 2011/12 and to date £0.763m has been received. This includes the receipts for the disposals of 47 Middle Street, Ovingdean, 34 Roedean Crescent and the second deposit instalment for Charter Hotel, Kings Road.

3.18 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 estimated useable receipts for 'right to buy' sales is £0.638m for this financial year and to date £0.270m has been received.

Comments by the Director of Finance

- 3.19 There is a significant improvement in the revenue forecast since month 4, demonstrating overall effective financial management and control. There was a thorough review of the position in preparing this report due to its links with the Budget Update and Savings report elsewhere on the agenda. The forecast underspend releases one off resources to support the budget planning for 2012/13. The trends on the corporate critical budgets remain encouraging and impact on the service pressure assumptions for the following two years. There will be a further detailed review of the position at Month 9 which will be reported to Cabinet and will impact on the final budget setting assumptions for 2012/13.

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: 22/11/11

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 £0.292m. As mentioned above, underspending will release one-off resources that can be used to aid budget planning in 2012/13. 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. Detailed Revenue & Capital Outturn Forecasts
2. Capital Programme Summary
3. VfM Programme Benefits Realisation

Documents in Members' Rooms

None

Background Documents

None