

Subject:	Targeted Budget Management (TBM) 2012/13 Month 2		
Date of Meeting:	12 July 2012		
Report of:	Director of Finance		
Contact Officer:	Name:	Jeff Coates	Tel: 29-2364
	Email:	jeff.coates@brighton-hove.gov.uk	
Key Decision:	No		
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 2012/13. The Month 2 forecast focuses in particular on corporate critical budgets and significant variances and trends that are identifiable this early in the financial year. A fuller analysis will therefore be available at the next meeting of this committee in October.

2 RECOMMENDATIONS:

- 2.1 That the Committee note the forecast outturn position for the General Fund, which is an overspend of £0.522m.
- 2.2 That the Committee note the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £0.204m.
- 2.3 That the Committee approve the virement within the HRA of £0.558m from capital financing costs to revenue contribution to capital.
- 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 budget re-profiling and budget variations as set out in Appendix 2;
 - ii) The carry forward of slippage into the 2013/14 capital programme, to meet on-going commitments on these schemes as set out in Appendix 2.
 - iii) 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 7 sections as follows:
- i) General Fund Revenue Budget Performance
 - ii) Housing Revenue Account (HRA) Performance
 - iii) NHS Controlled S75 Partnership Performance
 - iv) Capital Investment Programme Performance
 - v) Capital Programme Changes
 - vi) Implications for the Medium Term Financial Strategy (MTFS)
 - vii) Comments of the Director of Finance

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.

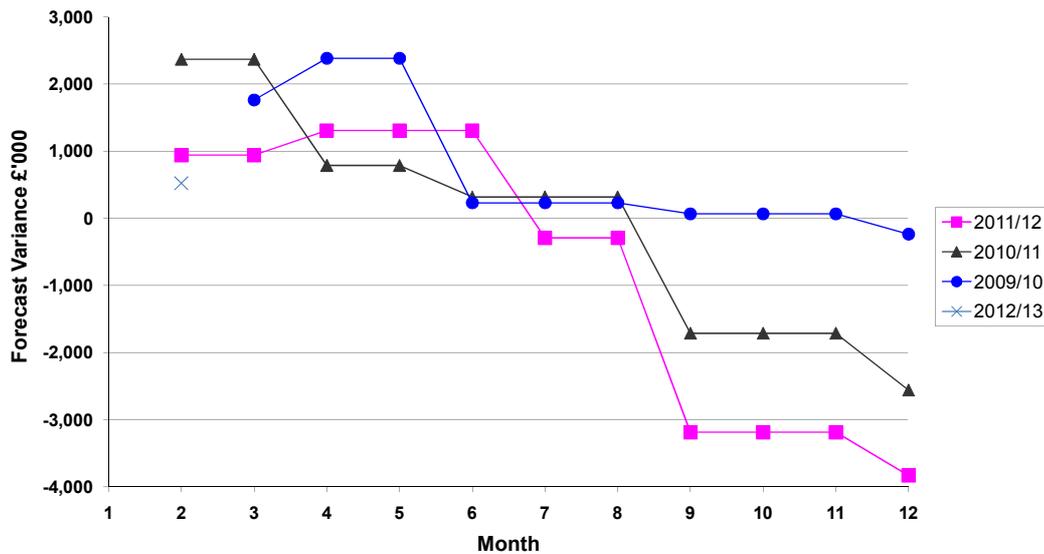
2011/12 Provisional Outturn £'000	Strategic Area	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
(4,330)	People	126,479	125,506	(973)	-0.8%
(608)	Place	44,890	45,525	635	1.4%
(39)	Communities	11,152	11,698	546	4.9%
(1,370)	Resources & Finance	37,549	37,749	200	0.5%
(6,347)	Sub Total	220,070	220,478	408	0.2%
2,516	Corporate Budgets	(8,273)	(8,159)	114	1.4%
(3,831)	Total Council Controlled Budgets	211,797	212,319	522	0.2%

- 3.4 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 and Corporate Budgets make up the General Fund services reported above.

Comparison with Previous Years

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

TBM Projections Reported to P & R / Cabinet 2009/10 to 2012/13



Corporate Critical Budgets

- 3.6 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.

2011/12 Provisional Outturn £'000	Corporate Critical	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
(585)	Child Agency & In House	23,102	22,402	(700)	-3.0%
(1,752)	Community Care	44,230	43,456	(774)	-1.7%
(250)	Sustainable Transport	(15,365)	(15,046)	319	2.1%
(247)	Temporary Accommodation	660	1,019	359	54.4%
(551)	Housing Benefits	(752)	(752)	-	0.0%
(3,385)	Total Council Controlled	51,875	51,079	(796)	-1.5%

Value for Money (VfM) Programme

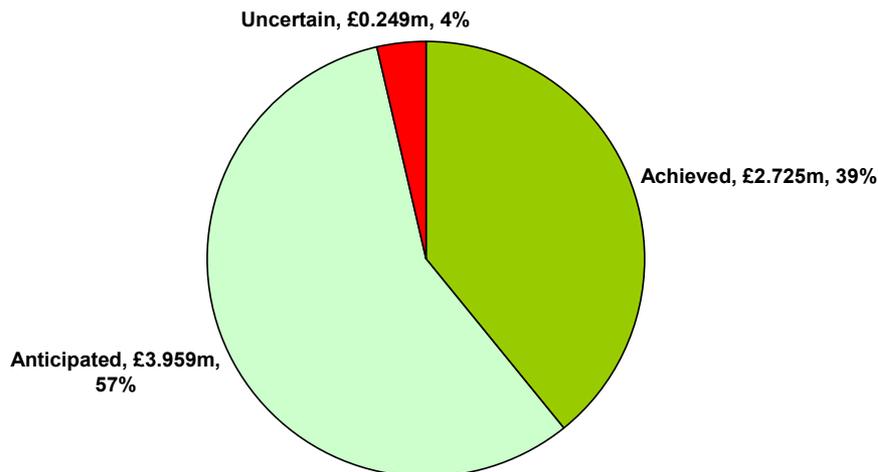
- 3.7 TBM reports also provide updates on the council's Value for Money programme. The VfM programme contains a number of large, complex projects which include

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 A new project has been added to the programme from 2012/13 relating to Client Transport. This is a significant project that will encompass Home to School Transport, Children's and Adults Social Care transport, and transport for older people. The project is aimed at making more efficient use of the council's client transport fleet through integrated management of the fleet, including route planning. The project will also look at potential partnership with East and West Sussex and consider options for providing greater choice to reflect 'Personalisation'. The detailed business case is currently being finalised, including the profile of potential savings. The first year in which savings are expected to accrue is 2013/14.
- 3.9 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.
- 3.10 The level of 'uncertain' savings stands at £0.249m (4%) as shown in the chart below. Further information about the risks and actions relating to uncertain savings is given in Appendix 4.

Value for Money Programme (All Phases) - 2012/13 Monitoring

Current Vfm Target 2012/13 = £6.933m



Housing Revenue Account Performance (Appendix 1)

- 3.11 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.

2011/12 Provisional Outturn £'000		2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
	HRA				
(2,152)	Expenditure	53,007	52,803	(204)	-0.4%
133	Income	(53,407)	(53,407)	-	0.0%
(2,019)	Total	(400)	(604)	(204)	-51.0%

NHS Controlled 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 under TBM throughout the year.

2011/12 Provisional Outturn £'000		2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
	Section 75				
(539)	NHS Trust managed S75 Services	14,584	14,428	(156)	-1.1%

Capital Programme Performance (Appendix 2)

- 3.14 Capital programme performance needs to be looked at from 4 different viewpoints as follows:
- Forecast Variances:** The 'forecast' for a scheme or project indicates whether it is expected to be break-even, underspent or overspent. Information on how forecast overspends will be mitigated is given in Appendix 2. If the project is completed, any underspend or overspend will be an outturn variance. Generally, only explanations of significant forecast variances of £0.050m or greater are given.

- ii) **Variations:** These are changes to the project budget within year, requiring members' approval, and do not change future year projections. The main reason for budget variations is where capital grant or external income changes in year.
- iii) **Slippage:** This indicates whether or not a scheme or project is on schedule. Slippage of expenditure from one year into another will generally indicate overall delays to a project although some projects can 'catch up' at a later date. Some slippage is normal due to a wide variety of factors affecting capital projects however substantial amounts of slippage across a number of projects could result in the council losing capital resources (e.g. capital grants) or being unable to manage the cashflow or timing impact of later payments or related borrowing. Wherever possible, the council aims to keep slippage below 5% of the total capital programme.
- iv) **Reprofiling:** Reprofiling of expenditure from one year into another is requested by project managers when they become aware of changes or delays to implementation timetables due to reasons outside of the council's control. Reprofiling requests are checked in advance by Finance to ensure there is no impact on the council's capital resources before they are recommended.

3.15 The table below provides a summary of capital programme performance by strategic theme and shows that overall the programme is forecast to be on target at this early stage. Within Appendix 2 for each budget area there is a breakdown of the capital programme by Unit.

2011/12 Provisional Outturn £'000	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Outturn Month 2 %	
(3)	People	28,553	28,553	0	0.0%
(1,542)	Place	62,804	62,804	0	0.0%
563	Communities	4,998	4,998	0	0.0%
83	Resources & Finance	11,315	11,315	0	0.0%
(899)	Total Capital	107,670	107,670	0	0.0%

3.16 Appendix 2 also details any slippage into next year. Project managers have not forecast that any schemes will slip at present.

Capital Programme Changes

3.17 Appendix 2 and Appendix 3 provide details of changes to capital budgets which are included in the budget figures above. Appendix 2 details variations, re-profiled schemes and slippage whilst Appendix 3 provides details of new schemes included in the 2012/13 capital programme. Policy & Resources Committee's approval for these changes is required under the council's Financial Regulations.

Capital Budget Movement		2012/13
Summary		Budget £'000
Approved Capital Budget (February Council)		98,166
New Schemes included in approved budget where further reports are needed before inclusion in the capital programme		(7,190)
2011/12 Outturn Report Changes		9,702
Variations to Budget (to be approved – Appendix 2)		4,167
Slippage (to be noted – Appendix 2)		0
New Schemes (to be approved – Appendix 3)		2,825
Total Capital Budget		107,670

- 3.18 All new schemes included in the February Capital Programme report to Council are subject to further reports to Members to formally release the budgets. At the March and April Cabinets, reports were presented showing detailed expenditure plans for many of these schemes thereby releasing the funding. In this report, Adult Social Care and the Level Heritage Lottery schemes included in the Capital Programme in February are detailed in Appendix 3. Private Sector Renewals and Disabled Facilities Grants, also reported under new schemes in February, have been included as variations within this report.

Implications for the Medium Term Financial Strategy (MTFS)

- 3.19 The council's MTFS sets out resource assumptions and projections over a 3-year period. 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.
- 3.20 No significant implications for the MTFS have been identified at Month 2. Details of risk provisions currently held are given in the Corporate Budgets section of Appendix 1.

Capital Receipts Performance

- 3.21 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. For 2012/13 no capital receipts have been received to date. Projected receipts for the year include Charter Hotel, Kings Road and the Ice Rink at Queen's Square.
- 3.22 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 net usable receipts for 'right to buy' sales in 2012/13 is £0.400m and to date £0.059m has been received.

- 3.23 The first tranche of receipts totalling £1.208m from the housing Local Delivery Vehicle (LDV) have been received in 2012/13. A total balance of £12.904m is expected for the year. The net receipts are ringfenced to support investment in council owned homes.

Collection Fund Performance

- 3.24 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. It is currently forecast to break even by 31st March 2013. This forecast includes the improved position of £0.162m resulting from a lower than anticipated deficit at 31st March 2012.

Comments of the Director of Finance (S151 Officer)

- 3.25 This report provides an early forecast for 2012/13 and does not yet include a full review of all budgets. There are therefore likely to be further variations to report to Policy & Resources Committee at its next meeting in October. Overall the forecast on the revenue budget is encouraging given the substantial budget savings being implemented but the council will need to maintain its rigorous financial management in order to continue to address the ongoing impact of reductions in government grant funding over coming years.

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: 20/06/2012

Equalities Implications:

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

Sustainability Implications:

- 5.4 There are no direct sustainability implications arising from this report. The Month 5 report to be reported to this committee in October will include progress against the carbon budget.

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 overspend of £0.522m. Any overspend at year-end would 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. Capital Budget Performance
3. Capital Budget Changes (New Schemes)
4. Value for Money Programme Performance

Documents in Members' Rooms:

None.

Background Documents

None.

