POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 50 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2016/17: Month 5**	
Date of Meeting:		**13 October 2016**	
Report of:		**Executive Director of Finance & Resources**	
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel: 29-3104**
	Email:	**Nigel.manvell@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 an indication of forecast risks as at Month 5 (August) on the council's revenue and capital budgets for the financial year 2016/17.

1.2 As set out in the General Fund Revenue Budget 2016/17 report to Budget Council, potential cost pressures of up to £18m were identified of which approximately £12m was provided for in the budget through 'service pressure funding'. The report highlighted that successful 'demand management' strategies would therefore be key to managing down cost pressures across Adult and Children's social care and Homelessness (temporary accommodation) in order to achieve financial balance in 2016/17. In recognition of this challenging position, £3m risk provisions were set aside to provide some mitigation against these risks.

1.3 The forecast risk for 2016/17 as at August is £3.916m on the General Fund, compared to £3.745m in May, reflecting the situation outlined above. This includes a pressure of £0.232m on the council's share of the NHS managed Section 75 services. The position continues to be driven by sustained pressures across Adults and Children's social care budgets and Homelessness. These services have developed recovery plans and measures to address pressures as far as practicable and this process will continue to attempt to pull the position back into balance over the remainder of the year.

1.4 Taking into account the available risk provisions of £3.000m, the council's financial position is therefore reasonable at position at this point in the year, however, utilising risk provisions is to be avoided if at all possible as these resources are highly likely to be required for future years as the financial challenges increase.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast risk position for the General Fund, which indicates an in-year budget pressure of £3.916m. This includes a pressure of £0.232m on the council's share of the NHS managed Section 75 services.

2.2 That the Committee note that total recurrent and one-off risk provisions of £3.000m are available to mitigate the forecast risk if the risks cannot be completely eliminated by year-end.

2.3 That the Committee note the forecast for the Housing Revenue Account (HRA), which is an underspend of £0.864m.

2.4 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an underspend of £0.009m.

2.5 That the Committee note the forecast outturn position on the capital programme and approve the variations and reprofiles in Appendix 4 and the new schemes as set out in Appendix 5.

2.6 That the Committee approves forward funding of Local Growth Fund Grant to the preferred Bike Share scheme provider up to a maximum value of £1.160m as set out in Paragraphs 6.3 to 6.5.

2.7 That the Committee approves a budget transfer (virement) of £0.257m to reallocate 2016/17 pressure funding from the Community Care – Learning Disabilities budget to the Physical Support budget as set out in Appendix 2 (Health & Adult Social Care section).

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 & Growth 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 demand-led 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)

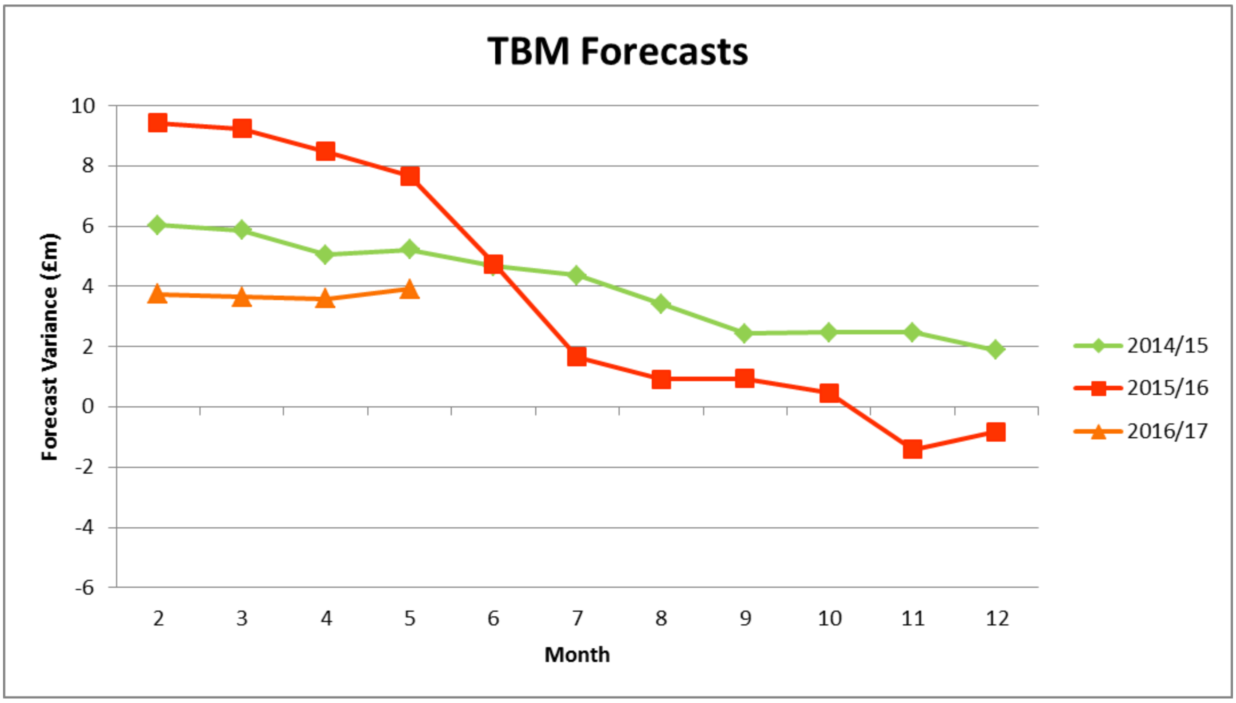
General Fund Revenue Budget Performance (Appendices 1 & 2)

3.3 The table below shows the forecast outturn for Council controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Executive Leadership Team. A summary of the movement between Months 2 and 5 is shown in Appendix 1 and a more detailed explanation of the variances can be found in Appendix 2.

2016/17 Month 2 Variance £'000	Directorate	2016/17 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
1,077	Families, Children & Learning	53,068	54,086	1,018	1.9%
3,459	Health & Adult Social Care	79,926	83,828	3,902	4.9%
27	Economy, Environment & Culture	33,395	33,126	(269)	-0.8%
248	Neighbourhood, Communities & Housing	15,695	15,945	250	1.6%
(450)	Finance & Resources	20,657	20,340	(317)	-1.5%
42	Strategy, Governance & Law	5,643	5,713	70	1.2%
4,403	Sub Total	208,384	213,038	4,654	2.2%
(658)	Corporate Budgets	7,449	6,711	(738)	-9.9%
3,745	Total General Fund	215,833	219,749	3,916	1.8%

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. Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note also that 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).

3.5 The chart below shows the monthly forecast variances for 2016/17 and the previous two years for comparative purposes. To ensure a like for like comparison of the underlying position, the data for the previous two years excludes the allocation of risk provisions and the one-off Minimum Revenue Provision adjustment of £2.328m in 2015/16.

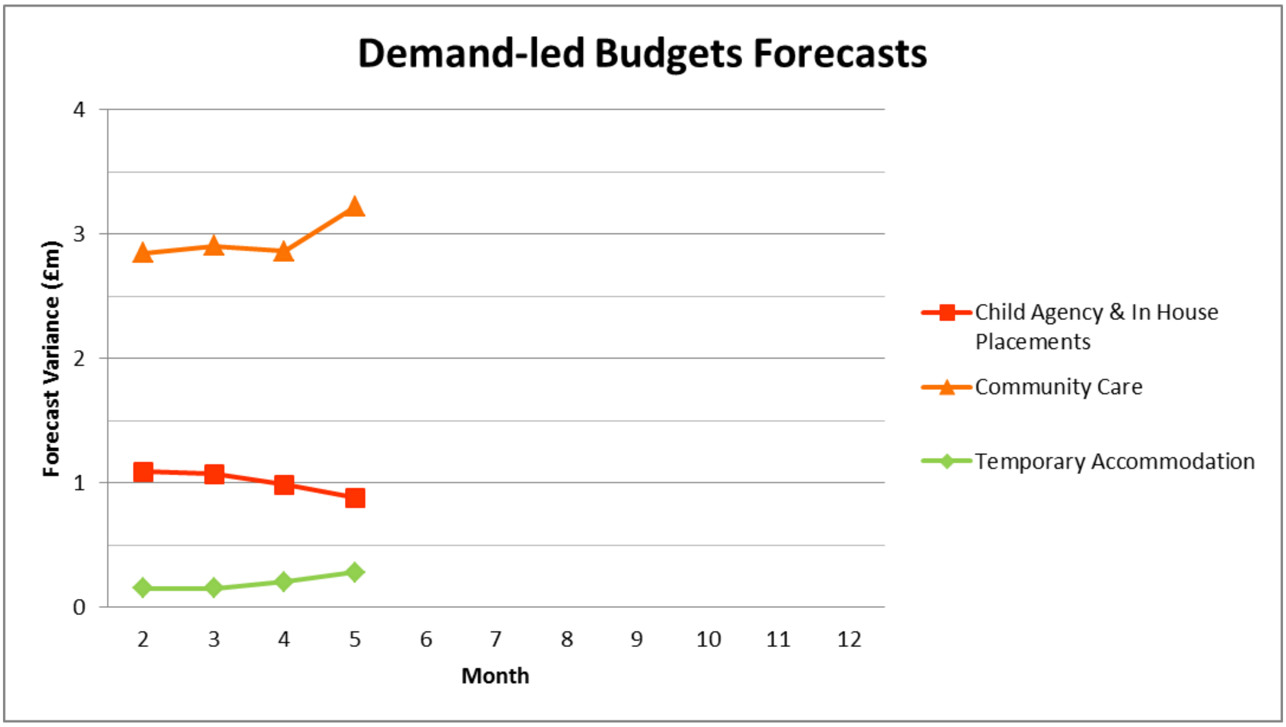


Demand-led Budgets

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.

2016/17 Month 2 Variance £'000	Demand-led Budget	2016/17 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
1,087	Child Agency & In House Placements	19,556	20,437	881	4.5%
2,611	Community Care	48,553	51,769	3,216	6.6%
152	Temporary Accommodation	1,459	1,736	277	19.0%
3,850	Total Demand-led Budget	69,568	73,942	4,374	6.3%

The chart below shows the monthly forecast variances on the demand-led budgets for 2016/17.



Summary of the position at Month 5

The main pressures reported at Month 5 continue to be across Children's and Adults Social Care and Homelessness (Temporary Accommodation) as follows:

3.7 **Children's Services**: The initial forecast budget risk across Families, Children and Learning was £2.534m primarily resulting from increased demand pressures on services for Children in Care and social work cost pressures continuing through from last year. Subsequently the directorate has put together a financial recovery plan to address the financial risks as far as possible. This recovery plan identified £1.535m of potential cost reductions to improve the forecast position which would give an outturn of £0.999m. There still remain significant financial pressures on services for Children in Care and social work as well as emerging risks in the Home to School Transport budget, Youth Service and Nurseries that will need to be closely monitored.

The current projected position has identified potential cost pressures of £0.276m on social work staffing and £1.081m on placement budgets. Together with risks of £0.246m on Home to school transport, £0.069m on Youth Services, £0.100m on Nurseries and other underspending budgets of £0.754m, explaining the residual forecast risk of £1.018m as at Month 5.

3.8 **Adults Services**: The service is facing significant financial challenges in 2016/17 in mitigating the risks arising from the sustained pressures in 2015/16 and managing in-year demands. This is alongside delivering a significant budget savings programme, developing integration plans through the Better Care Fund and completing the Learning Disabilities Review.

- The forecast TBM risk at Month 5 of £3.902m is after identifying recovery measures of £1.741m which have helped to contain the forecast risk. Recovery measures are focused on attempting to manage demands on and costs of community care placements across Assessment Services and making the most efficient use of available funds. The forecast risk includes the following main elements that are described in more detail in Appendix 1:

- The main area of forecast risk concerns service pressures identified at the beginning of the year (and highlighted in the General Fund Revenue Budget report as noted above) which relate to increased complexity of need, increasing numbers of older people being discharged from hospital requiring social care services for the first time, pressures on the provider services' budget and Deprivation of Liberty Standards (DoLS) cases. At Month 5 there is a significant residual risk of £3.902m relating to these pressures.
- Note that the in-year forecast does not include any one-off funding contributions. In previous years, one-off contributions have been received from the Care Act implementation funds and the Better Care Fund (£3.548m in 2015/16). At this stage it is not anticipated that any additional funds will be made available in 2016/17 but this is being kept under review.
- The forecast includes the part year effect of the increase in care home fees. In order to manage the local market and address the significant under-supply of providers in the city who will accept publicly funded residents, fee increases were essential.
- Of the approved budget savings for 2016/17 of £6.159m, £0.498m are currently projected as unachievable.
- Service pressure funding of over £6m, including the Adult Social Care precept, was applied in 2016/17 and has been used to fund budget pressures resulting from increased demands and complexity, DoLS, the national living wage and fee rates.

The funding of all care packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet people's aspirations. This forms a key part of the savings implementation plan. Adult Services are also using benchmarking information to support the driving down of unit costs but are faced with increased complexity and demand (demographic) growth which is also a national picture. Through regional and other social care networks the service has been looking at best practice in delivering cost effective services in order to influence future direction - this includes demand management strategies and identifying opportunities through Housing provision.

3.9 **Housing Services and Temporary Accommodation**: Although the council is accepting a full housing duty for a similar level of households to previously, the actual numbers of households in temporary accommodation is increasing because there are limited opportunities to move these households out of temporary accommodation into other alternative longer term forms of accommodation. This is due to a mixture of shortage of supply, unaffordable rents in the private sector and policy changes within ASC commissioning affecting the allocation of supported beds.

We are in the process of a large decanting programme out of around 200 leased units of temporary accommodation. We have decanted and handed back around half of these properties and are looking to achieve the remainder by the end of the financial year. This has a significant impact as:

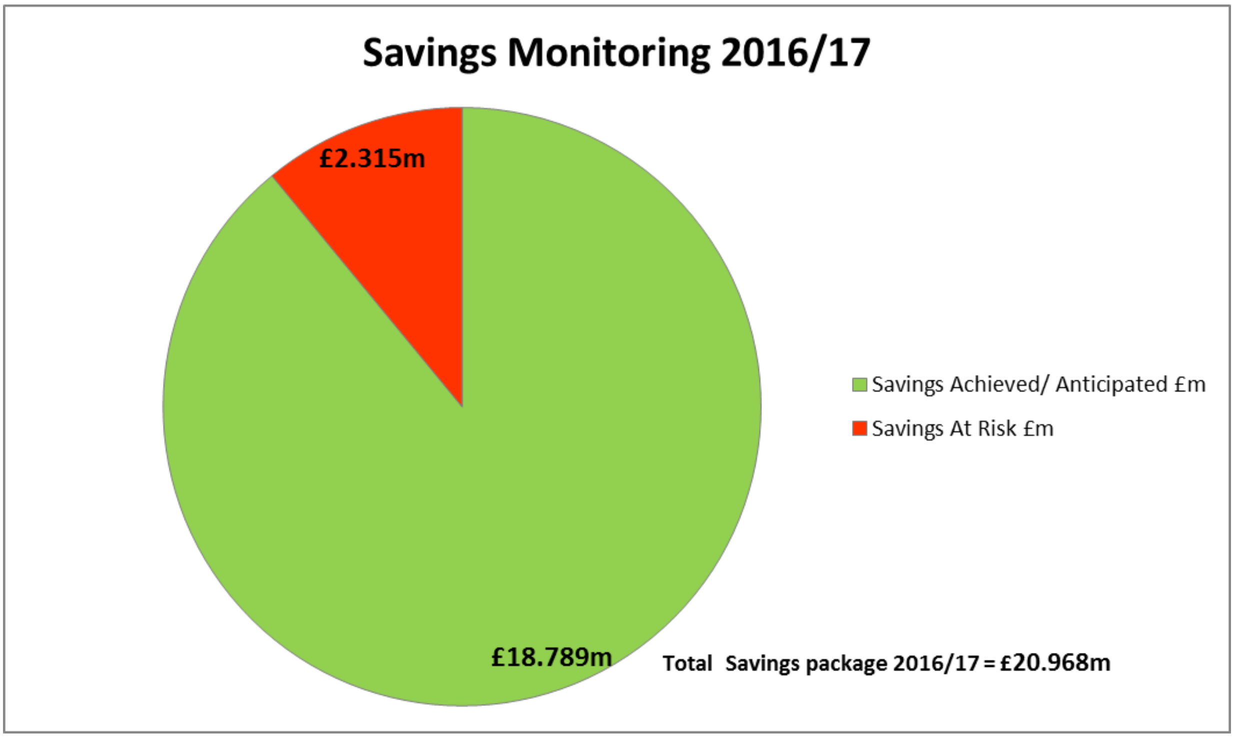
- reprovision means that additional growth of leased property is at a standstill;
- reprovision is at an increased cost as the housing market is now more expensive;
- there are costs associated with the handback of a large number of units which include dilapidation and void costs; and
- some units of provision were diverted to ASC to assist with an emergency situation.

The current projection is an overspend of £0.820m of which £0.335m relates to the managed risk identified at budget setting. As a result, the service has developed a financial recovery plan which includes a number of measures to reduce the overspend including the use of one off specific temporary accommodation reserves, vacancy management, improving moving on out of temporary accommodation as well as utilising £0.200m of DCLG funding for early prevention work and financial incentives to landlords and applicants. However, £0.277m is at high risk of not being achieved and hence, taking into account other forecast underspends within Housing, the current forecast is an overspend of £0.164m.

Monitoring Savings

3.10 The savings package approved by full Council to support the revenue budget position in 2016/17 was £20.968m. This is a very large savings package and follows five years of substantial packages totalling nearly £98m. Achievement of savings programmes and actions in 2016/17 will be closely monitored to ensure satisfactory progress and, so far as possible, to avoid adding to financial pressures in future years through non-achievement.

3.11 Appendix 2 includes a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 3 summarises the position across all directorates and presents the entire savings programme. The chart below provides a summary of the position as at Month 5. This shows that delivery of the savings programme of £20.968m for 2016/17 is expected to be significantly on track with approximately £2.315m at risk. Mitigation of these risks is included in the development of services' financial recovery actions. The majority of 'at risk' savings are within the Families, Children & Learning directorate as detailed in Appendix 2.



Note: Savings achieved/anticipated includes an overachievement of savings of £0.136m.

Housing Revenue Account Performance (Appendix 2)

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 is an underspend of £0.864m and more details are provided in Appendix 2.

Dedicated Schools Grant Performance (Appendix 2)

3.13 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 an underspend of £0.009m and more details are provided in Appendix 2. 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 2)

3.14 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 include health and social care services for Adult Mental Health and Memory and Cognitive Support Services.

3.15 This partnership is 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 result in financial implications for the council where a partnership is underspent or overspent at year-end and hence the performance of the partnership is included within the forecast outturn for the Health & Adult Social Care directorate. The council's forecast contribution to the risk share for 2016/17 is currently £0.232m and more details are provided in Appendix 2.

Capital Programme Performance and Changes

3.16 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast overspend of £0.424m at this stage. More details are provided in Appendix 4.

2016/17 Month 2 Variance £'000	Capital Budgets	2016/17 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Families, Children & Learning	17,339	17,339	0	0.0%
0	Health & Adult Social Care	489	489	0	0.0%
0	Economy, Environment & Culture	50,342	50,342	0	0.0%
312	Neighbourhood, Comms & Housing	4,590	4,918	328	7.1%
0	Housing Revenue Account	48,645	48,741	96	0.2%
0	Finance & Resources	3,572	3,572	0	0.0%
0	Strategy, Governance & Law	0	0	0	0.0%
0	Corporate Services	0	0	0	0.0%
312	Total Capital	124,977	125,401	424	0.3%

(Note: Summary may include minor rounding differences)

3.17 Appendix 4 shows the changes to the budget and Appendix 5 provides details of new schemes for 2016/17 to be added to the capital programme which are included in the budget figures above. Policy, Resources and Growth 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 TBM2.

Capital Budget Movement Summary	**2016/17 Budget £'000**
Budget Approved at TBM2	132,480
Reported at other Policy & Resources committees since Month 2	0
New schemes to be approved in this report (see Appendix 5)	768
Variations (to be approved - see Appendix 4)	(500)
Reprofiles (to be approved - see Appendix 4)	(7,771)
Slippage (to be approved - see Appendix 4)	0
Total Capital Budget	**124,977**

3.18 Appendix 4 also details any slippage into next year. However, project managers have forecast that none of the capital budget will slip into the next financial year at this stage.

Implications for the Medium Term Financial Strategy (MTFS)

3.19 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 & Growth 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.

Capital Receipts Performance

3.20 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, Customer First in a Digital Age and the Workstyles VFM projects. The planned profile of capital receipts for 2016/17, as at Month 5, is £12.220m against which there have been receipts of £1.081m in relation to a lease extension at Hartington Road plus some minor lease extensions at the Marina and the sale of Lions Court with the capital receipt ringfenced for investment into the housing capital programme.

3.21 The forecast for the 'right to buy sales' in 2016/17 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 50 homes will be sold with a maximum useable receipt of £0.500m to fund the corporate capital programme and net retained receipt of £3.013m available to re-invest in replacement homes. To date 15 homes have been sold in 2016/17.

Collection Fund Performance

3.22 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 Crime Commissioner and East Sussex Fire Authority, whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.

3.23 The council tax collection fund is forecast to be in surplus by (£0.765m) at year end which incorporates a brought forward surplus of (£0.376m). Other main changes in the forecast during the year are a greater than forecast reduction in Council Tax Reduction awards (£0.300m), increased income from new properties and banding changes (£0.150m), and increased severely mentally impaired exemptions £0.050m. The council's share of the overall forecast council tax surplus is (£0.654m).

3.24 The business rates collection fund is forecast to be in deficit by £3.233m at year-end which incorporates a brought forward deficit of £1.378m. The main changes in the forecast during the year are in relation to a greater reduction in the 2016/17 liability being forecast from the impact of appeals and a higher provision being anticipated for losses in collection. Business rates income continues to be difficult to forecast due to the backlog of appeals. The number of appeals outstanding at the end of August totalled 911 (down from 1,094 at 31/3/16) of which 519 were lodged before 01/04/15. The council's share of the overall forecast business rates deficit is £1.584m.

3.25 The council’s share of the combined net deficit across both collection funds is £0.930m and this will need to be included in the budget forecast for 2017/18.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The provisional outturn position on the General Fund is an overspend of £3.916m. This includes a pressure of £0.232m on the council’s share of the NHS managed Section 75 services. Risk provisions of £3.000m are available to substantially mitigate the position if the risk cannot be addressed by year-end. Any overspend above this level at the 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. Any underspend would release one off resources that can be used to aid budget planning for 2017/18.

5 COMMUNITY ENGAGEMENT & CONSULTATION

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

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

6.1 The General Fund Revenue Budget 2016/17 report to full Council in February, which set out the budget for approval, indicated that cost pressures arising from increasing costs and demands, particularly across social care, were likely to add costs of around £18m. Through a combination of savings programmes (totalling over £20m) and taxbase increases, including the Adult Social Care precept, the council was able to provide £12m funding toward these cost pressures requiring effective demand management strategies to manage the residual risk.

6.2 The forecast risk at Month 5, while challenging, would appear to be manageable in the context of the expected level of risk and given that there is still sufficient time to take further corrective action. However, the underlying pressures on social care are of concern and suggest that demand management alone will not bring the budget into balance. Services will therefore revisit financial recovery plans and consider what further spending restrictions and savings can be identified to address the current risks. Consideration will also be given to bringing forward savings proposals already identified in the 4-year Integrated Service & Financial Plans where practicable and subject to necessary approvals.

6.3 Turning to another matter, the council has received a Local Growth Fund (LGF) grant funding offer from the Coast to Capital Local Enterprise Partnership of up to £1.160m to implement a BikeShare Scheme within the City. The scheme has received approval from the Environment, Transport & Sustainability Committee for the tender of a concession agreement for an operator to implement and operate a BikeShare scheme.

6.4 The LGF grant can only be claimed by Brighton & Hove City Council in arrears of actual expenditure incurred, therefore forward funding of the grant to the operator of up to £1.160m is required to enable the capital mobilisation works for the scheme. The council's Standard Financial Procedure E.2.9.1.5 requires that any forward funding pending grant receipt in excess of £0.100m requires approval by the Policy, Resources & Growth Committee.

6.5 Forward funding will only be made where the recipient has provided satisfactory evidence to enable the council to make a grant claim based on a project appraisal. Various measures will be put in place to safeguard against the financial risks to the council associated with forward funding, such as funding agreements with the operator, appropriate financial checks of the operator and allocation of contingency funds.

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

7.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Cross-Party Budget Review Group and the management and treatment of forecast risks is considered by the Audit & Standards Committee.

Finance Officer Consulted: Jeff Coates Date: 20/09/16

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. Where forward funding and virements are recommended in this report, these are explained in the body of the report and are in accordance with the Council's Standard Financial Procedures.

Lawyer Consulted: Elizabeth Culbert Date: 26/09/16

Equalities Implications:

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

Sustainability Implications:

7.4 Although there are no direct sustainability implications arising from this report, the council's financial position is an important aspect of its ability to meet Corporate Plan and Medium Term Financial Strategy priorities. The achievement of a break-even position or better is therefore important in the context of ensuring that there are no adverse impacts on future financial years from performance in 2016/17.

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 Movement since Month 2
2. Revenue Budget Performance
3. 2016/17 Savings Progress
4. Capital Programme Performance
5. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.