

<b>Subject:</b>	<b>Targeted Budget Management (TBM) Month 4</b>		
<b>Date of Meeting:</b>	<b>17 September 2009</b>		
<b>Report of:</b>	<b>Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Nigel Manvell</b>	<b>Tel: 29-3104</b>
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<b>Key Decision:</b>	<b>Yes</b>	<b>Forward Plan No: CAB11485</b>	
<b>Wards Affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report sets out the forecast outturn position on the revenue and capital budgets as at the end of July 2009 (month 4).

**2. RECOMMENDATIONS:**

- 2.1 That Cabinet notes the forecast outturn for the General Fund, Section 75 Partnerships and Housing Revenue Account (HRA) for 2008/09 as at month 4.
- 2.2 That Cabinet notes that further recovery measures will be identified by month 6 to achieve a balanced budget.
- 2.3 That Cabinet notes the forecast outturn position on the capital budgets as at month 4.
- 2.4 That Cabinet approves the changes to the capital budget as summarised in Appendix 3 and detailed in Appendices 4 – 6.

### 3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 The table below shows the forecast outturn position for council controlled budgets within the general fund, including directorates and centrally managed budgets and the outturn on NHS managed S75 Partnership Services.

Forecast Variance Month 3		2009/10 Budget Month 4	Forecast Outturn Month 4	Forecast Variance Month 4	Forecast Variance Month 4
£'000	<b>Directorate</b>	£'000	£'000	£'000	%
879	Adult Social Care & Housing	43,075	43,886	811	1.9%
53	S75 Learning Disability Services	23,804	23,804	-	0.0%
1,107	Children & Young People's Trust	54,148	55,713	1,565	2.9%
(72)	Finance & Resources	18,765	18,723	(42)	-0.2%
70	Strategy & Governance	12,540	12,540	-	0.0%
240	Environment	38,150	38,664	514	1.3%
232	Culture & Enterprise	12,107	12,389	282	2.3%
2,509	Sub Total	202,589	205,719	3,130	1.5%
(745)	Centrally Managed Budgets	26,167	25,422	(745)	-2.8%
1,764	Total Council Controlled Budgets	228,756	231,141	2,385	1.0%
336	NHS Trust managed S75 Servs	13,540	13,832	292	2.2%
2,100	Total Overall Position	242,296	244,973	2,677	1.1%

3.2 The Total Council Controlled Budgets line in the above table represents the total current forecast risk to the council's General Fund. This includes all directorate budgets, centrally managed budgets and council-managed Section 75 services. 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 South Downs Health 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. The forecast outturn on the HRA is as follows:

Forecast Variance Month 3		2009/10 Budget Month 4	Forecast Outturn Month 4	Forecast Variance Month 4	Variance Month 4 %
£'000	<b>Housing Revenue Account</b>	£'000	£'000	£'000	
(120)	Expenditure	47,869	47,704	(165)	-0.3%
204	Income	(47,869)	(47,615)	254	0.5%
84	Total	-	89	89	

3.3 The overspend forecast of £2.385 million (excluding S75 Partnerships) is explained in more detail in Appendix 1. This forecast compares to an overspend of £0.718 million for the same period last year, although this included a £1.8 million in-year improvement on concessionary fares' costs. The underlying forecast was therefore a £2.5 million overspend. Higher forecasts at this stage of the year have therefore been seen in previous years prior to measures and actions to manage demands and costs taking effect during the remainder of the

year. However, current pressures are substantial and need to be actively managed throughout the year to ensure breakeven, particularly given that there are unlikely to be significant savings from financing costs and investment income as in previous years.

- 3.4 For this reason, the revenue budget approved by Council includes significant and appropriate risk provision (contingency) and there are other potential in-year contingencies and provisions, for example, pay awards and an improving collection fund balance, that will need to be retained until the position on TBM is clearer later in the year.

### Corporate Critical Budgets

- 3.5 Targeted Budget Management (TBM) is based on the principles 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 3 £'000		2009/10 Budget Month 4 £'000	Forecast Outturn Month 4 £'000	Forecast Variance Month 4 £'000	Forecast Variance Month 4 %
	<b>Corporate Critical</b>				
821	Child Agency & In House	18,144	19,143	999	5.5%
63	Sustainable Transport	(911)	(758)	153	16.8%
(250)	Housing Benefits	159,350	159,050	(300)	-0.2%
(220)	Concessionary Fares	7,345	7,125	(220)	-3.0%
800	Community Care	22,763	23,568	805	3.5%
53	Section 75 Learning Disabilities	20,657	20,657	-	0.0%
1,267	Total Council Controlled	227,348	228,785	1,437	0.6%
336	S75 NHS & Community Care	11,323	11,615	292	2.6%
1,603	Total Corporate Criticals	238,671	240,400	1,729	0.7%

- 3.6 The key activity data for each of the corporate critical budgets is detailed in Appendix 2. Note that the analysis in Appendix 2 will not always match exactly the outturn variances shown in the table above, due to a number of different elements that can affect the outturn. The Appendix is designed to highlight the key underlying activity data that is having the most significant effect on the forecast. Narrative explanations regarding the projections are contained within the individual directorate forecasts contained in Appendix 1.

### Impact on the Medium Term Financial Strategy (MTFS)

- 3.7 At present it is too early in the financial year to determine the impact of current forecasts on the longer term financial position. Clearly, the growth in numbers and costs experienced in Children in Care and areas of Adult Social Care needs to be managed over the remainder of the year otherwise this could lead to very significant financial pressures in future years and consequently greater savings

requirements. Some service areas are also suffering due to economic conditions, for example, land charges, commercial rents, cultural services and sustainable transport. Economic conditions and their potential financial impact will need to be kept under review in terms of the medium term financial strategy and future reports will begin to track the ongoing impact of current pressures and will show the impact on the medium term financial strategy (MTFS) in future years.

### **Capital Budget 2009/10**

3.8 This part of the report gives Members details of the capital programme budget position for 2009/10. On 26 February 2009, Budget Council considered a capital investment programme report for the financial year 2009/10 and agreed a capital investment programme of £107.265 million. Some of the schemes included in the budget report related to schemes already approved in detail in previous years, while the remainder of the schemes have yet to be approved in detail following their inclusion.

3.9 The following table shows the currently approved capital budget:

<b>Capital Budget</b>	<b>2009/10 Budget £'000</b>
Slippage brought forward from 2008/09 approved 11 June 2009	2,578
Budget Reprofiles from 2008/09 approved 11 June 2009	3,550
Capital Investment Programme schemes approved	66,914
<b>Total Capital Budget 2009/10 as at month 4</b>	<b>73,042</b>

The major part of the capital investment programme still to be approved is the Local Delivery Vehicle to improve council housing stock detailed in the budget report. These costs will be subject to a separate report to Cabinet for approval to spend.

Where schemes are forecast to exceed their budget, budget holders must identify additional resources to finance the shortfall. Forecast overspends of greater than £0.050 million or 10% of the original budget are required to be reported back to Members, either in detailed reports or through this capital monitoring report. Scheme delays or 'slippage' are also monitored in an effort to ensure schemes are delivered not only on budget, but also on time. Where a scheme is forecast to slip by £0.050 million or more, the budget holder will report back to Members, on the amount and the impact of the delay on service delivery.

### **Capital Forecast Outturn**

3.10 A number of changes are proposed to the capital programme as follows: new schemes are proposed and summarised in appendix 4, budget reprofile requests in Appendix 5; variation requests to the capital budgets are contained in Appendix 6 and slippage forecasts of over £50,000 are listed in Appendix 8. A summary of the proposed changes are shown in the table below.

	2009-10 Budget	New Schemes	Budget Reprofiles	Budget Variations	Amended Budget	2009-10 Forecast Outturn	2009-10 Forecast Slippage	2009-10 (Savings) / Overspends
Directorate	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Strategy & Governance	756				756	756	-	-
Culture & Enterprise	1,498				1,498	1,498	-	-
Finance & Resources	4,288	45			4,333	4,333	-	-
Adult Social Care & Housing	11,572			63	11,635	11,635	-	-
Housing Revenue Account (HRA)	19,843				19,843	19,843	-	-
Children & Young People's Trust	17,300	510	1,496	-	19,306	19,306	-	-
Environment	17,785	956			18,741	18,741	-	-
<b>Total Council Budgets</b>	<b>73,042</b>	<b>1,511</b>	<b>1,496</b>	<b>63</b>	<b>76,112</b>	<b>76,112</b>	<b>-</b>	<b>-</b>

### **Budget Reprofiting**

- 3.11 Delays have been identified in some projects due to factors outside of project managers' control. Appendix 5 provides details of the reasons and asks Members to agree to the re-profiling of the budget, which in most cases will result in the resources being moved from this year's capital programme to the next.

### **Capital Slippage**

- 3.12 No capital slippage has been reported this month. This is not unusual at this early stage of the financial year because even where contractual, works or other delays are being experienced, there is normally still sufficient time to bring programmes back on track.

### **Prudential indicator for capital expenditure**

- 3.13 Each year, the council sets a number of prudential indicators that show its capital investment plans are affordable and that borrowing levels are sustainable and prudent. For 2009/10, these were set by the council on 26 February 2009. One of these indicators is 'capital expenditure' and in February the council set this at £107.265 million for 2009/10. This indicator helps us to demonstrate that our capital expenditure plans are affordable.
- 3.14 The Capital Investment Programme report demonstrated how the schemes are fully funded and affordable. The revenue effects of this programme were fully considered as part of the revenue budget setting process.

### **Capital Receipts**

- 3.15 Capital receipts are used to support the capital programme. For 2009/10 the programme is fully funded, however, any changes to the level of receipts during the year will impact on future years' capital programmes.
- 3.15.1 Capital receipts (excluding housing) were estimated to be £2.1 million. Currently, £0.4 million has been received which includes the disposal of the Wellsbourne Centre site. This leaves £1.7 million of receipts to be achieved during the rest of the financial year. Assets are actively being marketed to achieve the level of receipts budgeted for.
- 3.15.2 The level of sales of council homes through 'right to buy' has been severely affected by the current market conditions in house prices generally and the

higher cost and availability of mortgages in the current economic climate. 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 £0.5 million for this financial year and to date £0.03 million has been received.

- 3.15.3 The reduction in receipts will impact on the level of investment in future years for corporate funds such as the Strategic Investment Fund, Asset Management Fund and ICT Fund. If there are no other compensating receipts generated and the current trend for 'right to buy' sales continues, the capital strategy will need to be reviewed and the consequences of this will be reported within the Capital Investment Programme report to Cabinet in February 2010.

#### **Comments by the Director of Finance & Resources**

- 3.16 The current position indicates that significant social care and economy-related pressures are building up. These will need to be closely monitored by directorates to understand their current and potential longer term financial impact and factored into the development of the 2010/11 budget strategy. In the meantime, directorates will need to continue to take mitigating actions and identify short and medium term recovery measures to address overspends. By TBM month 6, directorates will be expected to identify further recovery measures and plans to bring the financial position back into balance.

#### **4. CONSULTATION**

- 4.1 No specific consultation was 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 Part 3.4 of the council's financial regulations requires the Director of Finances & Resources to report to the Executive on the overall revenue and capital budget position on a regular basis, under the Targeted Budget Management framework.
- 5.3 Further, under part 3.1 of these regulations, it is for the Executive to take in-year decisions on resources and priorities in order to deliver the budget within the financial limits set by full Council. Hence Cabinet is authorised to change the capital budgets, as proposed by recommendation 2(4), having regard to the effect this may have on the capital outturn position for 2009/10.

*Lawyer consulted:*

*Oliver Dixon*

*Date: 04/09/09*

##### 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 & Opportunity Management Implications:

- 5.7 There are no direct risk or opportunity management 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 forecast outturn position on council controlled budgets is an overspend of £2.385 million. Any overspend that exceeds risk provisions and contingencies will need to be funded from General Fund reserves, which will then need to be replenished as part of the 2010/11 budget and MTFS proposals.

**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 proposed budget allocations and capital budget changes are necessary to maintain a balanced programme and effective financial management.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Directorate Revenue Outturn Forecasts
2. Corporate Critical Budgets Activity Data
3. Summary of Capital Budget Movements
4. New Capital Scheme Requests
5. Capital Budget Re-profile Requests
6. Capital Budget Variation Requests

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

None

### **Background Documents**

None