

Subject:	Targeted Budget Management (TBM) 2010/11 and Value For Money Programme Update		
Date of Meeting:	22 July 2010		
Report of:	Director of Finance & Resources		
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Key Decision:	Yes	Forward Plan No. CAB17444	
Wards Affected:	All		

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

- 1.1 This report sets out the revenue forecast outturn position as at month 2 and provides an update on the Value for Money work programme. This is a very early forecast of the financial position during 2010/11 and has been prepared in advance of the council's normal timetable in order to provide additional contextual information to the other budget related reports on this agenda.

2. RECOMMENDATIONS:

- 2.1 That the Cabinet notes the provisional outturn position for the General Fund.
- 2.2 That the Cabinet notes the provisional outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2010/11.
- 2.3 That Cabinet approves the budget virement on the Dedicated Schools Grant of £0.434 million as set out in Appendix 1.
- 2.4 That Cabinet notes the position on the Value for Money programme.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The table below shows the provisional outturn position for council controlled budgets within the General Fund and the outturn on NHS managed S75 Partnership Services.
- 3.2 The first TBM report for this year was originally scheduled to be month 4 which would have been presented to the September Cabinet meeting. A month 2 forecast is being presented to this meeting as it provides an increased degree of financial context to the other finance reports being considered at this meeting.
- 3.3 In depth work has been undertaken on the forecasts for the corporate critical budgets, however, at this early stage of the financial year it has not been possible to undertake detailed projections on all of the budgets, although all major variances should have been identified. Budget holders at this early stage of the financial year tend to be prudent when forecasting and so may have been

cautious about declaring underspends or improvements in income. The month 4 report that will be presented to the September meeting will include action plans to mitigate directorate forecast overspends.

- 3.4 The provisional outturn at month 2 is shown below. More detailed explanation of the variances below can be found in Appendix 1.

Forecast Outturn 2009/10 £'000	Directorate	2010/11 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
820	Adult Social Care	36,439	36,852	413	1.1%
44	S75 Learning Disability Services	23,251	24,032	781	3.4%
1,958	Children & Young People's Trust	50,454	53,245	2,791	5.5%
(281)	Finance & Resources	18,753	18,745	(8)	0.0%
134	Strategy & Governance	11,930	11,930	-	0.0%
1,209	Environment	36,767	37,284	517	1.4%
364	Housing, Culture & Enterprise	16,483	16,483	-	0.0%
4,248	Sub Total	194,077	198,571	4,494	2.3%
(4,483)	Centrally Managed Budgets	31,897	29,772	(2,125)	-6.7%
(235)	Total Council Controlled Budgets	225,974	228,343	2,369	1.0%
-	NHS Trust managed S75 Services	12,357	12,582	225	1.8%
(235)	Total Overall Position	238,331	240,925	2,594	1.1%

- 3.5 The Total Council Controlled Budgets line in the above table represents the total current forecast in respect of 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.

- 3.6 The forecast outturn on the HRA is as follows:

Forecast Outturn 2009/10 £'000	Housing Revenue Account	2010/11 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Variance Month 2 %
75	Expenditure	47,916	47,812	(104)	-0.2%
205	Income	(47,916)	(47,812)	104	0.2%
280	Total	-	-	-	

- 3.7 Detailed analysis of the HRA provisional outturn is also provided in Appendix 1.

Value for Money Programme

- 3.8 Phase II of the council's VFM Programme is now well underway and all 6 priority projects are now resourced and working toward implementation. The six priority areas are:

- Adult Services Personalisation
- CYPT
- ICT
- Procurement
- Sustainable Transport & Fleet Management
- Workstyles (i.e. how and where staff work)

3.9 To enable these projects to succeed, the council's 2010/11 budget strategy included significant investment of £0.250 million to provide effective programme management support, business analysis and communications resources. Services have also re-prioritised existing staffing and resources to ensure effective support for the delivery and implementation of these projects. The projects also include other necessary 'invest-to-save' resources and costs which are netted off expected value for money gains. Some of these are funded from external sources, for example, the Adult Social Care Personalisation project is substantially supported by government Social Care Reform Grant in 2010/11. This grant has not been subject to any in-year reduction.

3.10 For these priority areas, initial high level analysis indicated that maximum potential value for money gains of £35 million were expected to be achievable over a 4 year period with potential maximum ongoing savings of £18 million per annum by 2013/14. These assumptions are being updated as the projects progress and more detailed information is gathered and analysed. The council's standard project methodology requires these gains to be captured in Benefits Realisation Plans which will be tracked and monitored internally. The latest information on expected financial gains is provided in the Budget Update and Budget Process report elsewhere on this agenda and indicates maximum ongoing gains of £18 million by the end of the programme. Progress against expected financial gains in the current and future years will also be reported through the normal Targeted Budget Management and Budget reporting channels to Cabinet.

3.11 Although the programme will deliver very substantial gains, the current VFM Programme will only partly meet the council's budget gap over the next few years based on current service pressure and resource assumptions in the Medium Term Financial Strategy. The council and its services will therefore be required to develop other value for money and/or efficiency savings proposals as far as possible over the coming years but will also need to consider spending reductions, particularly in relation to areas where grant funding is reduced or withdrawn.

3.12 A critical area relates to service pressures assumptions in the council's Medium Term Financial Strategy. Where service pressures (e.g. increases in demand for services) can be contained or eliminated as a result of the service transformation brought about by VFM projects or other transformation projects, this could potentially significantly reduce the level of savings that would otherwise be required in future years.

3.13 Progress on individual projects to date is as follows:

Adult Social Care:

- A Resource Allocation System (RAS) is now being used for new cases to identify indicative allocations for Self-directed Support (e.g. Personal Budgets).

- A Community Solutions team is now in place to provide an enhanced re-ablement service which aims to enable people to remain in their homes for longer.
- A 'Brokerage' function is now being prototyped to help individuals arrange their care and support.
- Market development is being undertaken with partners to improve the range of care and support for those people taking up Self-directed Support.

CYPT

- The service aims to increase the use of the Common Assessment Framework and introduce a tiered approach to managing social care referrals from other agencies to ensure that universal services and other interventions provide more cost effective care packages commensurate with needs.
- A Joint Funding Panel is in place to review placements and ensure that the cost of care packages are scrutinised and consistent across all cases.
- Similarly, an Area Case Review Process is in place to ensure that high cost and high risk cases are proactively and consistently managed.
- Both of the above are also linked to the development of fully costed interventions so that it is clear what the likely lifetime costs of placement and care package decisions will be.
- Contract and commissioning savings are being drawn up in the context of current services priorities and commissioning strategies.

ICT

- A new tighter ICT Governance process is in place to provide additional scrutiny and spending controls over business cases for new investment.
- An audit of software applications is currently underway to help develop a strategy to rationalise applications and reduce infrastructure costs.

Procurement

- A detailed analysis of category spend now being undertaken which will inform areas to prioritise and target first.

Sustainable Transport

- Fleet Management has been centralised and a process agreed for developing vehicle replacement programmes across all services.
- Bus subsidies were reduced as approved in the 2010/11 revenue budget.
- Expert advisers have been engaged to assist the council in reviewing outdoor events fees.

Workstyles

- The creation of a new Customer Centre and the move of staff from Priory House to Bartholomew House is progressing and is due to complete by summer 2011.
- A strategic review of all of the council's operational property portfolio is underway.

Comments by the Director of Finance & Resources

- 3.14 The overspend forecast at Month 2, while significant is not unexpected for this time of year. However it will only be reduced by the implementation of rigorous financial recovery plans and tight cost control. The most significant pressures are in relation to the Children's Social Care corporate critical budgets, particularly driven by the numbers of Looked After Children. While the Corporate Value for Money programme is starting to impact on costs, the majority of the expected benefits will only be realised in future years.

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 In reaching its decisions in relation to its budget, the Council needs to have regard to a number of general points. It must provide the services, which, statutorily, it is obliged to provide. Where there is power to provide services, rather than a duty, it has discretion to provide such services. It must observe its other legal duties, such as the duty to achieve best value and comply with the Human Rights Act 1998. It must act in accordance with its general fiduciary duties to its Council Tax payers to act with financial prudence. Finally, it must 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: 05/07/10

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.

Crime & Disorder Implications:

- 5.5 There are no direct crime & disorder implications arising from this report

Risk & 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 working balance of £9 million 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.

Corporate / Citywide Implications:

- 5.7 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 £2.369 million, any end of year overspend will need to be funded from general reserves which would then need to be replenished to ensure the working balance did not remain below £9 million. Directorates are required to develop financial recovery plans so that a break even position is achieved.

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.

SUPPORTING DOCUMENTATION

Appendices:

1. Directorate Revenue Outturn Forecasts

Documents in Members' Rooms

None

Background Documents

None