POLICY & RESOURCES COMMITTEE	Agenda Item 77 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2012/13 Month 7**		
Date of Meeting:		**29th November 2012**		
Report of:		**Director of Finance**		
Contact Officer:	**Name:**	**Jeff Coates**	**Tel:**	**29-2364**
	Email:	**Jeff.coates@brighton-hove.gov.uk**		
Ward(s) affected:		**All**		

Note: The special circumstances for non-compliance with Council Procedure Rule 23, Access to Information Procedure Rule 5 and Section 100B (4) of the Local Government Act 1972 (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that some of the key financial information could not be updated in time for the agenda despatch.

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 7 on the council's revenue and capital budgets for the financial year 2012/13.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast outturn position for the General Fund, which is an underspend of £3.534m.

2.2 That the Committee note the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £1.045m.

2.3 That the Committee note the forecast outturn position on the capital programme.

2.4 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.

2.5 That the Committee agrees that Stagecoach South are paid a fixed price concessionary fares reimbursement of £495,000 for 2012/13 and for 2013/14 the sum of £495,000 plus the average increase in RPIX for the financial year 2012/13 for the reasons set out in paragraph 3.10.

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 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 (Appendix 1)

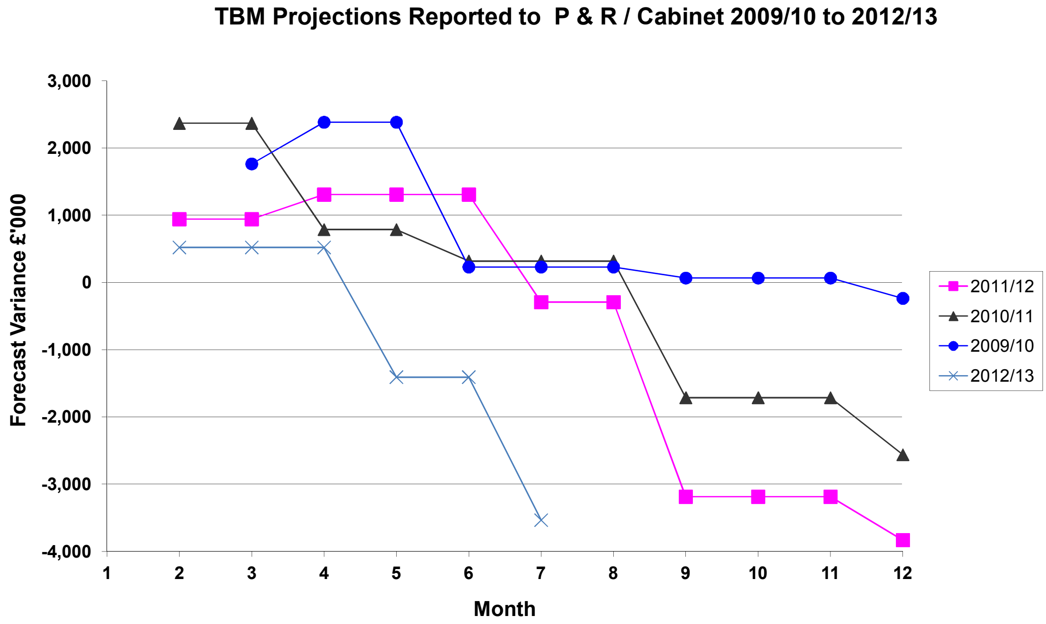
3.3 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. More detailed explanation of the variances can be found in Appendix 1.

Forecast Variance Month 5 £'000	Strategic Area	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(3,509)	People	128,243	124,238	(4,005)	-3.1%
962	Place	47,096	47,916	820	1.7%
813	Communities	12,282	13,042	760	6.2%
243	Resources & Finance	39,033	38,845	(188)	-0.5%
(1,491)	Sub Total	226,654	224,041	(2,613)	-1.2%
38	Corporate Budgets	(5,171)	(6,092)	(921)	-17.8%
(1,453)	Total Council Controlled Budgets	221,483	217,949	(3,534)	-1.6%

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.



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.

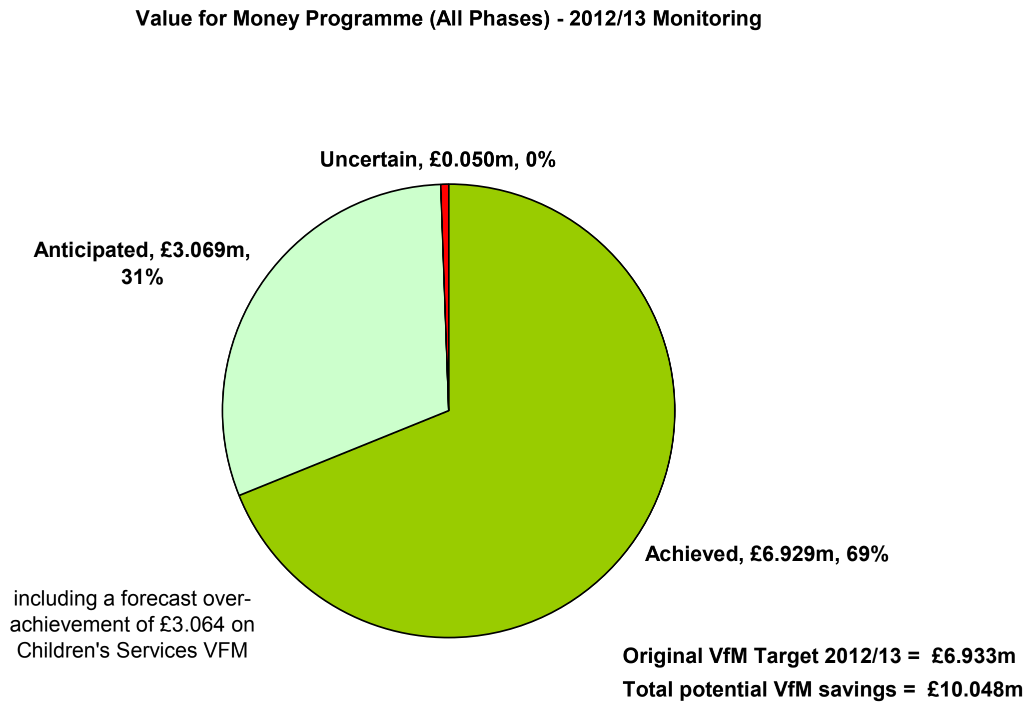
Forecast Variance Month 5 £'000	**Corporate Critical**	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(2,490)	Child Agency & In House	22,133	19,152	(2,981)	-13.5%
(1,044)	Community Care	43,928	42,454	(1,474)	-3.4%
307	Sustainable Transport	(15,073)	(14,742)	331	2.2%
436	Temporary Accommodation	979	1,283	304	31.1%
-	Housing Benefits	(752)	(1,104)	(352)	46.8%
(2,791)	Total Council Controlled	51,215	47,043	(4,172)	-8.1%

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 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.

3.9 Potential savings exceed the VfM target. Achievements of savings against the target represent 69% of total potential VfM savings. The level of 'uncertain' savings is minimal at £0.050m as shown in the chart below. Further information about the risks and actions relating to uncertain savings is given in Appendix 4.



Concessionary Fares reimbursement for 2012/13 and 2013/14

3.10 Stagecoach South operate bus services along the coast to the west of Brighton and Hove attracting a high number of concessionary trips. A fixed reimbursement deal of £470,000 with Stagecoach South was agreed by Cabinet for 2011/12 and discussions have now been concluded with Stagecoach South about a further fixed deal for both 2012/13 and 2013/14. Reimbursement costs calculated using the Department for Transport model are rising each year on this route because both journey numbers and fares are increasing. Based on the first 6 months of this year journeys are up by 2.7% and the annual reimbursement using the model including eligible cost claims is forecast to be close to £500,000. It is therefore recommended that Members agree the proposed fixed deal of £495,000 for 2012/13 which will then be increased by the average increase in RPIX (retail price index excluding mortgage payments) for 2012/13 to determine level of the fixed deal for 2013/14. Assuming that RPIX remains at 3.1% for the remainder of the financial year (and it is forecast to fall) the average increase will be 3%. This is only marginally more than the current increase in journey numbers and therefore will offer the council both cost certainty and good value for money if bus fares also increase.

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.

Forecast Variance Month 5 £'000	HRA	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(661)	Expenditure	52,575	51,858	(717)	-1.4%
(59)	Income	(52,975)	(53,303)	(328)	-0.6%
(720)	Total	(400)	(1,445)	(1,045)	

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.

Forecast Variance Month 5 £'000	Section 75	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(74)	NHS Trust managed S75 Services	13,921	13,533	(388)	-2.8%

Capital Programme Performance (Appendix 2)

3.14 Capital programme performance needs to be looked at from 4 different viewpoints as follows:

i) 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 to Policy & Resources.

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 relatively early stage. Within Appendix 2 for each budget area there is a breakdown of the capital programme by Unit.

Forecast Variance Month 5 £'000	Capital Budgets	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Outturn Month 7 %
0	People	30,433	30,433	0	0.0%
(11)	Place	59,219	59,205	(14)	0.0%
(35)	Communities	4,119	4,084	(35)	-0.8%
0	Resources & Finance	11,743	11,743	0	0.0%
(46)	Total Capital	105,524	105,475	(49)	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 **Summary**	2012/13 Budget £'000
Approved Capital Budget at Month 5	107,628
Changes reported through other Committees	350
Variations to Budget (to be approved – Appendix 2)	(2,675)
Slippage (to be noted – Appendix 2)	0
New Schemes (to be approved – Appendix 3)	221
Total Capital Budget	105,524

Implications for the Medium Term Financial Strategy (MTFS)

3.18 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.

3.19 Details of risk provisions currently held are given in the Corporate Budgets section of Appendix 1. The current forecast trend indicates that risk provisions are unlikely to be required in full during 2012/13. The use of one-off risk provisions of £0.784m is assumed in the forecast, with the remaining balance contributing to the reported underspend. The full recurrent risk provision of £1.000m will now be set aside in the Medium Term Financial Strategy to support the 2013/14 budget strategy and savings proposals.

<u>Capital Receipts Performance</u>

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, ICT Fund and the Workstyles VFM projects. For 2012/13 £0.823m capital receipts have been received to date in connection with the disposal of 1a Major Close, the Charter Hotel at Kings Road and some minor leases. Projected receipts for the year include the Ice Rink at Queen's Square.

3.21 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 £0.200m has been received.

3.22 The first three tranches of receipts totalling £4.807m 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 ring-fenced to support investment in council owned homes.

Collection Fund Performance

3.23 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)

3.24 There are a small number of pressure points within the budget but the overall position for 2012/13 is very positive, primarily due to overachieved savings across Adult and Children's social care budgets. Although the deployment of some one-off risk provisions has been necessary, it is encouraging to note that the use of recurrent risk provisions has not been required. This enables the balance of these provisions to be used as one-off funding to support the very challenging 2013/14 budget.

3.25 The positive position does not however mean that controls should be relaxed in 2012/13. Every effort will be made to ensure overspending areas are mitigated to avoid starting 2013/14 with unresolved pressures and strict controls over vacancy management, consultancy spend and other supplies & services budgets will remain in place. Trends on key budgets in social care and housing will continue to be monitored with a view to updating potential savings and service pressures levels for 2013/14.

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.

Finance Officer Consulted: Jeff Coates Date: 20/11/2012

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: 20/11/2012*

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.

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 £3.534m. Any underspend at year-end would release one off resources that could be used to aid budget planning for 2013/14. 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 was maintained at £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.