

Subject:	Targeted Budget Management (TBM) Provisional Outturn 2012/13		
Date of Meeting:	13 June 2013		
Report of:	Executive Director of Finance & Resources		
Contact Officer:	Name:	Jeff Coates	Tel: 29-2364
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

- 1.1 This report sets out the provisional outturn position (Month 12) on the revenue and capital budgets for the financial year 2012/13. The final outturn position is subject to the annual external audit review. This will be shown in the council's financial statements which must be signed by the Chief Finance Officer by 30 June 2013 and the audited set approved by the Audit & Standards Committee by 30 September 2013.

2 RECOMMENDATIONS:

- 2.1 That the Committee note the provisional outturn position for the General Fund, which is an underspend of £4.610m (compared to £4.513m assumed at budget setting time). This includes £4.201m for the council controlled budgets and £0.409m on the NHS managed S75 budgets.
- 2.2 That the Committee note the provisional outturn for the Housing Revenue Account (HRA), which is an underspend of £1.963m.
- 2.3 That the Committee note the provisional outturn for the Dedicated Schools Grant (DSG) which is an underspend of £1.089m.
- 2.4 That the Committee approve the carry forward requests totalling £4.806m as detailed in Appendix 2.
- 2.5 That the Committee note the provisional outturn position on the capital programme.
- 2.6 That the Committee approve the following changes to the capital programme:
- i) The budget re-profiling and budget variations as set out in Appendix 4;
 - 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 4;
 - iii) New schemes as set out in Appendix 5.

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 Chief Finance 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.

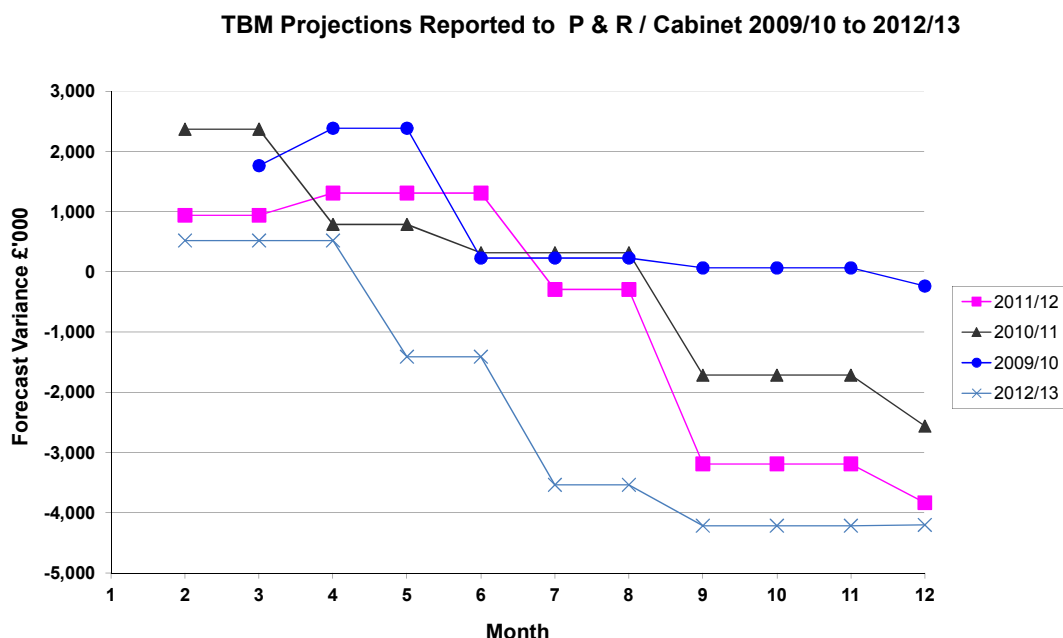
Forecast Variance Month 9 £'000	Strategic Area	2012/13 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(5,134)	People	123,024	117,078	(5,946)	-4.8%
1,046	Environment, Development & Housing	36,327	38,037	1,710	4.7%
672	Communities	11,630	11,948	318	2.7%
(244)	Resources & Finance	35,667	35,113	(554)	-1.6%
(3,660)	Sub Total	206,648	202,176	(4,472)	-2.2%
(553)	Corporate Budgets	(9,406)	(9,135)	271	2.9%
(4,213)	Total Council Controlled Budgets	197,242	193,041	(4,201)	-2.1%

- 3.4 In 2012/13, the General Fund included Commissioning Units and Service Delivery Units, which were organised under the strategic areas of People, Environment, Development & Housing, and Communities. These, together with

Resources & Finance Units and Corporate Budgets made 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 3 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 9 £'000	Corporate Critical	2012/13 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(3,262)	Child Agency & In House	22,133	18,666	(3,467)	-15.7%
(2,055)	Community Care	43,286	41,231	(2,055)	-4.7%
429	Sustainable Transport	(15,986)	(15,582)	404	2.5%
132	Temporary Accommodation	761	870	109	14.3%
(352)	Housing Benefits	(752)	(1,165)	(413)	54.9%
(5,108)	Total Council Controlled	49,442	44,020	(5,422)	-11.0%

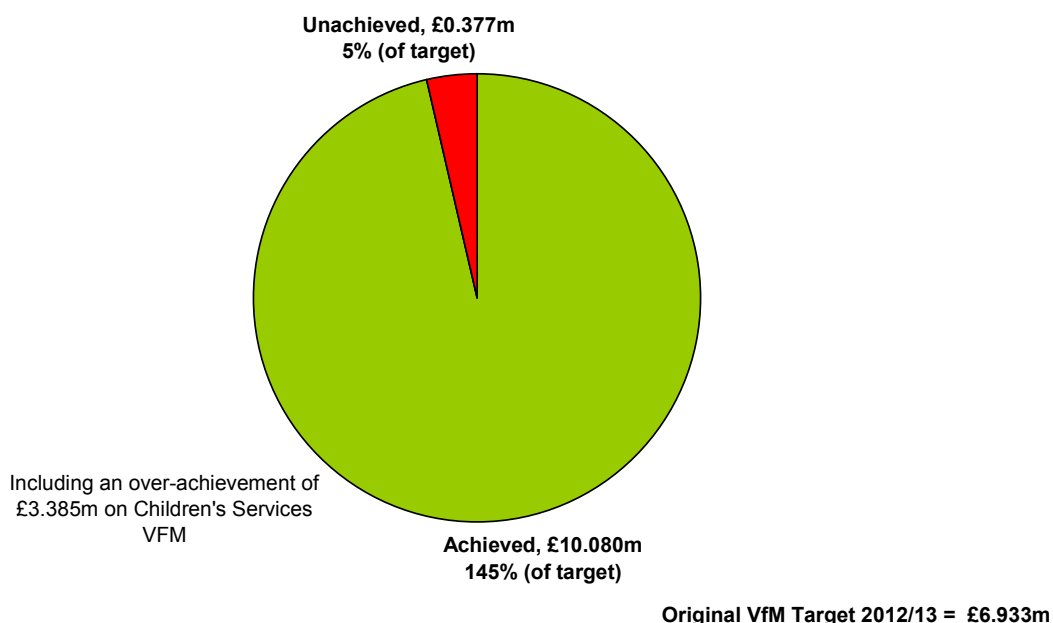
Carry Forward Requests

- 3.7 Under the council's Financial Regulations, the Director of Finance may agree carry forwards of up to £0.050m per member of the Corporate Management Team service area (up to a maximum of £1m in total) if it is considered that this incentivises good financial management. A total of £0.400m has been agreed for 8 of the service areas due to their significant contribution to the overall underspend.
- 3.8 Policy & Resources approval is required for carry forward requests in excess of £0.050m. These total £4.806m and have been included in the outturn figures above. An analysis of this is provided in Appendix 2.
- 3.9 The non grant funded element of this totals £2.873m and a detailed breakdown of this is provided in Appendix 2. These items have been proposed where funding *is* in place for existing projects or partnership working that crosses over financial years and it is therefore a timing issue that this money has not been spent in full before the year end.
- 3.10 The element relating to grant funding totals £1.933m. Under current financial reporting standards, grants received by the council that are unringfenced or do not have any conditions attached are now recognised as income in the financial year they are received rather than in the year in which they are used to support services. Prior to 2011/12 these unspent grants would have automatically rolled into the next financial year to fund the commitments against them but now they need to be agreed as part of the carry forward requests.
- 3.11 Within the total of £1.933m, a sum of £1.089m relates to the Dedicated Schools Grant. Under the Schools Finance Regulations, the unspent part of the DSG must be carried forward to support the schools budget in future years.

Value for Money (VfM) Programme

- 3.12 Throughout the year TBM reports have provided 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.
- 3.13 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 has quantified progress in terms of those savings that have been achieved, those that were anticipated to be achieved (i.e. low risk) and those that remained uncertain (i.e. higher risk). Those that were uncertain were given greatest attention and details of mitigating actions were given wherever possible. At outturn, the position becomes clearer with savings being either achieved or unachieved.
- 3.14 At outturn, total VfM Savings of £10.080m have been achieved against an original target of £6.933m, representing an over-achievement of 145%, mainly relating to an overachievement in Children's Services. An underachievement of £0.377m was experienced in relation to corporate VfM savings. A detailed breakdown of VfM savings is provided in Appendix 3.

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



Housing Revenue Account Performance (Appendix 1)

- 3.15 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 9 £'000		2012/13 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Variance Month 12 %
	HRA				
(1,000)	Expenditure	52,594	51,073	(1,521)	-2.9%
(304)	Income	(52,994)	(53,436)	(442)	-0.8%
(1,304)	Total	(400)	(2,363)	(1,963)	

NHS Controlled S75 Partnership Performance (Appendix 1)

- 3.16 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.

3.17 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 has been reported under TBM throughout the year.

Forecast Variance Month 9 £'000		2012/13 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(727)	Section 75 NHS Trust managed S75 Services	13,921	13,512	(409)	-2.9%

3.18 The outturn position shows that under the separate risk sharing arrangements, an underspend of £0.409m will contribute to the council's overall outturn position. This compares to a contribution of £0.300m forecast at budget setting time.

Capital Programme Performance (Appendix 4)

3.19 Capital programme performance needs to be looked at from 5 different viewpoints at the end of the year as follows:

- i) **Forecast Variance:** The 'variance' 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 4. 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) **Budget 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.

- v) **IFRS changes:** These accounting changes are necessary for the council to comply with International Financial Reporting Standards (IFRS) for the Statement of Accounts. This concerns the determination of items of expenditure as either capital or revenue expenditure. Only items meeting the IFRS definition of capital expenditure can be capitalised; expenditure not meeting this definition must be charged to the revenue account. This accounting exercise is undertaken as part of the closure of accounts process and therefore IFRS changes only appear in the outturn TBM report. Where significant changes have occurred an explanation is contained in Appendix 4.

3.20 The table below provides a summary of capital programme performance by strategic theme and shows that overall the programme has a provisional underspend of £2.286m which is detailed in Appendix 4. Also within Appendix 4 for each budget area there is a breakdown of the capital programme by Unit.

Forecast Variance Month 9 £'000	Capital Budgets	2012/13 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Outturn Month 12 %
(500)	People	13,810	13,305	(505)	-3.7%
(1,206)	Environment, Development & Housing	51,891	50,154	(1,737)	-3.3%
(37)	Communities	26	11	(15)	-57.7%
0	Resources & Finance	5,824	5,795	(29)	-0.5%
(1,743)	Total Capital	71,551	69,265	(2,286)	-3.2%

3.21 Appendix 4 also details any slippage into next year. In total, project managers have indicated that £2.920m of the capital budget has slipped into the next financial year and this equates to 4.08% of the final budget, maintaining slippage below the desired maximum of 5%.

Capital Programme Changes

3.22 Appendix 4 provides details of changes to capital budgets which are included in the budget figures above including details of variations, re-profiled schemes and slippage whilst Appendix 5 provides details of new schemes for 2013/14 to be included in the 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 at Month 9	93,830
Changes reported through other Committees (to be noted)	549
Reprofiling to Budget (to be approved – Appendix 4)	(18,098)
Slippage (to be approved – Appendix 4)	(2,920)
IFRS changes (to be noted – Appendix 4)	(1,810)
Total Capital Budget for Provisional Outturn	71,551

Implications for the Medium Term Financial Strategy (MTFS)

- 3.23 The council's current MTFS sets out resource assumptions and projections over a 6-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. Throughout the year this section has highlighted any potential implications for the current MTFS arising from in-year TBM monitoring, detailing any changes to financial risks together with any impact on associated risk provisions, reserves and contingencies.
- 3.24 The level of underspend on risk provisions and contingencies reported to Policy & Resources Committee and Full Council at TBM Month 9 contributed to a forecast underspend that was used to provide one-off resources to support the 2013/14 budget. The underspend on risks provisions and contingencies has increased by £0.180m since Month 9, contributing to the overall outturn underspend which remains close to the level of underspend forecast at Month 9. This means that the one-off resources forecast to be available at budget setting time have been achieved and no new one-off resources are required to support the approved 2013/14 budget.

Capital Receipts Performance

- 3.25 Capital receipts are used to support the capital programme. For 2012/13 a total of £3.053m capital receipts (excluding 'right to buy' sales) have been received in connection with the disposal of the Charter Hotel at Kings Road, Patcham Place and other properties related to the Workstyles value for money project.
- 3.26 The Government receives a proportion of the proceeds of 'right to buy' sales with a proportion required by the council to repay debt; the remainder is retained by the council and used to fund the capital programme. The total net usable receipts for 'right to buy' sales in 2012/13 is £0.975m including £0.609 available for replacement homes.
- 3.27 A total of £6.563m receipts from the housing Local Delivery Vehicle (LDV) have been received in 2012/13. The net receipts are ring-fenced to support investment in council owned homes.

Collection Fund Performance

- 3.28 The collection fund is a separate account for transactions in relation to national non domestic rates, council tax and precept demands. The forecast at Month 9 had been for a breakeven position at 31st March 2013 however the actual year

end position was a total surplus of £0.497m for which the council's share was £0.424m. This represents 0.35% of the total liability and resulted from a lower than forecast award of student exemptions and a lower level of bad debt provision needed.

- 3.29 The £0.497m surplus has to be used in calculating the collection fund forecast for 2013/14 at 15th January 2014 which will ultimately form part of the 2014/15 budget.

Comments of the Director of Finance (S151 Chief Finance Officer)

- 3.30 Financial performance in 2012/13 has remained strong overall with only a small number of pressure points, most of which have been addressed in setting the 2013/14 budget. The VfM programme has again achieved substantial savings to support the overall financial position for this year and next. The result is that the outturn position, after allowing for substantial carry forwards, remains close to that forecast at budget setting time (Month 9). This is important as this means that no additional one-off resources will need to be found to support the approved 2013/14 budget.

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: 16/05/2013

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: 16/05/2013

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 £4.201m. In addition, there is an underspend of £0.409m on the NHS managed S75 budgets which is the element retained by the council under risk sharing arrangements. As mentioned above and subject to approval, underspending will release one-off resources and carry forwards that can be used to help services manage the challenging budget savings required in 2013/14.

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. Carry Forward Requests
3. Value for Money Programme Performance
4. Capital Budget Performance
5. Capital Budget Changes (New Schemes)

Documents in Members' Rooms:

None.

Background Documents

None.