

Subject:	Targeted Budget Management (TBM) 2013/14 Month 7		
Date of Meeting:	5 December 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 PURPOSE OF REPORT 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 2013/14.
- 1.2 Early forecasts for the year indicated significant potential pressures and forecast overspending. There have been some changes to the forecasts and improvements across many budget areas but the pressures on Adult Social Care have increased. The underlying overspend on council controlled budgets as at Month 7 is £2.349m overspent which has been reduced to £1.762m through releasing all of the remaining general risk provision of £0.587m

2 RECOMMENDATIONS:

- 2.1 That the Committee note the total forecast outturn position for the General Fund, which is an overspend of £2.045m. This consists of £1.762m on council controlled budgets and £0.283m on the council's share of the NHS managed Section 75 services.
- 2.2 That the Committee note the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £0.237m.
- 2.3 That the Committee note the forecast outturn position for the Dedicated Schools Grant which is an underspend of £0.629m.
- 2.4 That the Committee note the forecast outturn position on the capital programme.
- 2.5 That the Committee approve the following changes to the capital programme.
 - i) The variations and reprofiles in Appendix 3 and the new schemes as set out in Appendix 4.

3 CONTEXT / BACKGROUND INFORMATION

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.

Month 5 Forecast Variance £'000	Directorate	2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(1,469)	Children's Services	59,212	57,273	(1,939)	-3.3%
2,587	Adult Services	63,304	66,493	3,189	5.0%
478	Environment, Development & Housing	45,997	46,497	500	1.1%
151	Assistant Chief Executive	12,866	13,010	144	1.1%
8	Public Health	1,807	1,814	7	0.4%
(599)	Finance, Resources & Law	38,030	37,206	(824)	-2.2%
1,156	Sub Total	221,216	222,293	1,077	0.5%
1,257	Corporate Budgets	11,204	11,889	685	-6.1%
2,413	Total Council Controlled Budgets	232,420	234,182	1,762	0.8%

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

Corporate Critical Budgets

- 3.5 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.
- 3.6 They are based on current activity levels and commitments but these can fluctuate significantly over the year. Mitigating recovery actions can change the financial outlook substantially, even for small changes in activity levels but the opposite also applies, hence the reason for closer scrutiny of these areas.

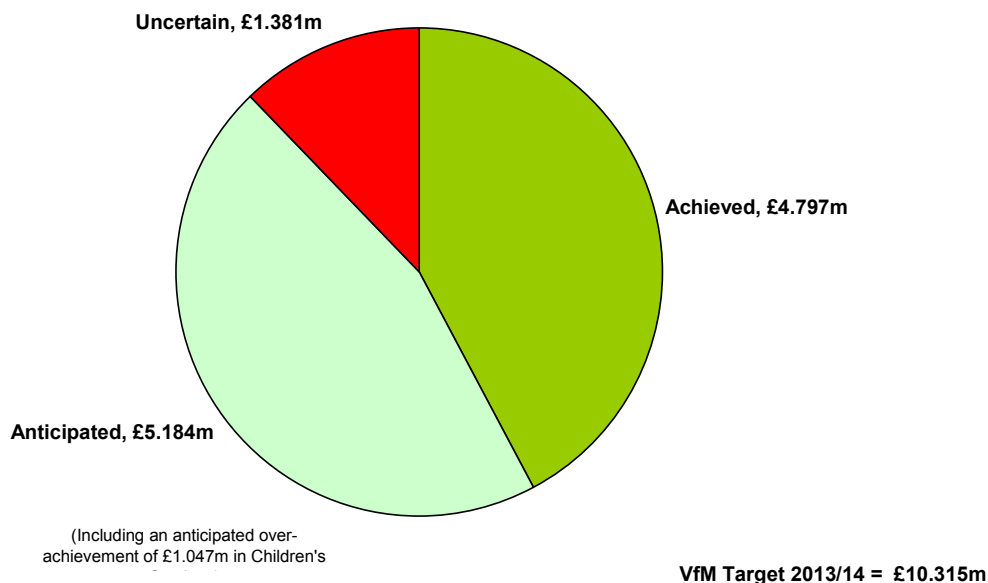
Month 5 Forecast Variance £'000	Corporate Critical	2012/13 Budget Month 7 £'000	Provisional Outturn Month 7 £'000	Provisional Variance Month 7 £'000	Provisional Variance Month 7 %
(1,023)	Child Agency & In House	19,471	18,327	(1,144)	-5.9%
1,841	Community Care	41,426	43,391	1,965	4.7%
(245)	Sustainable Transport	(15,762)	(15,805)	(43)	-0.3%
202	Temporary Accommodation	1,402	1,129	(273)	-19.5%
0	Housing Benefits	(569)	(669)	(100)	17.6%
775	Total Council Controlled	45,968	46,373	405	0.9%

Value for Money (VfM) Programme (Appendix 2)

- 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 At this stage there are two key areas of risk regarding Accelerated Service Redesign which was supported by a Voluntary Severance Scheme, and category spend on IT hardware and software outside of the ICT service. Accelerated Service Redesign has so far underachieved by £1.126m (£1.295m full year) while there is a pressure of £0.229m on IT category spend. Further information about the risks and actions relating to uncertain savings is given in Appendix 2.

Value for Money Programme (All Phases) - 2013/14 Monitoring



Housing Revenue Account Performance (Appendix 1)

3.10 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.

Month 5		2013/14	Forecast	Forecast	Variance
Forecast		Budget	Outturn	Variance	Month 7
Variance		Month 7	Month 7	Month 7	%
£'000	HRA	£'000	£'000	£'000	
(114)	Expenditure	56,289	56,017	(272)	-0.5%
(36)	Income	(56,289)	(56,254)	35	0.1%
(150)	Total	-	(237)	(237)	

Dedicated Schools Grant Performance (Appendix 1)

3.11 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 current forecast is an underspend of £0.629m and more details are provided in Appendix 1. 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 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 as a memorandum item under TBM throughout the year.

Month 5 Forecast Variance £'000		2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
	Section 75				
289	NHS Trust managed S75 Services	12,070	12,353	283	2.3%

Capital Programme Performance and Changes

- 3.14 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £0.267m.

Month 5 Forecast Variance £'000		2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Outturn Month 7 %
	Capital Budgets				
0	Children's Services	23,650	23,650	0	0.0%
0	Adult Services	2,328	2,328	0	0.0%
0	Environment, Development & Housing – General Fund	20,206	20,206	0	0.0%
(124)	Environment, Development & Housing - HRA	31,146	31,039	(107)	-0.3%
(160)	Assistant Chief Executive	12,728	12,568	(160)	-1.3%
0	Finance, Resources & Law	10,008	10,008	0	0.0%
(284)	Total Capital	100,066	99,799	(267)	-0.3%

- 3.15 Appendix 3 shows the changes to the budget and Appendix 4 provides details of new schemes to be added to the capital programme which are included in the budget figures above. Policy & Resources 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 in the Month 5 report.

Capital Budget Movement	2013/14 Budget £'000
Summary	
Budget approved at Month 5	110,162
Reported at this Committee since Month 5	53
New Schemes (to be approved)	739
Variations (to be approved)	327
Reprofiles (to be approved)	(10,743)
Slippage (to be approved)	(472)
Total Capital	100,066

- 3.16 Appendix 3 also details any slippage into next year. In total, project managers have forecast that £0.472m of the capital budget may slip into the next financial year and this equates to 0.47% of the budget.

Implications for the Medium Term Financial Strategy (MTFS)

- 3.17 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 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.
- 3.18 Details of risk provisions currently held are given in the Corporate Budgets section of Appendix 1. Given the level of forecast risk on the General Fund, the remaining risk provision of £0.587m will be used to partially mitigate the position. The forecast outturn will be reflected in the associated budget report also on this Policy & Resources Committee agenda.

Capital Receipts Performance

- 3.19 Capital receipts are used to support the capital programme. Any changes to the anticipated 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 2013/14 £10.098m capital receipts have been received to date including the completed disposal of Amex House, the disposal of the Ice Rink at Queens Square and the sale of the Council's civic car number plate. These receipts are already assumed within the

planned resources expected to be available to fund the current capital programme.

- 3.20 The forecast for the 'right to buy' sales 2013/14 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 60 homes will be sold with a maximum useable receipt of £0.428m to fund the corporate capital programme and net retained receipt of £2.975m available to re-invest in replacement homes. To date, 40 homes have been sold in 2013/14.

Collection Fund Performance

- 3.21 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 East Sussex Fire Authority whereas any forecast deficit or surplus relating to business rates is shared between the council, government and East Sussex Fire Authority.
- 3.22 The projected collection fund surplus position at 31st March 2014 on council tax has increased this month by (£0.255m) to (£1.714m) and the council's share of this is (£1.464m). This includes the brought forward surplus from 2012/13 of (£0.497m). The increased surplus this month relates mainly to student exemptions having not been as high as anticipated. The previous month's forecast related to a lower than budgeted caseload on council tax reduction discounts which accounts for (£0.976m) of the surplus. There is also a higher level of new properties than estimated of (£0.264m) which is offset by a higher level of Single Person Discounts £0.278m. The projected surplus at 15th January 2014 will be incorporated into the 2014/15 budget.
- 3.23 The mid year forecast on business rates using data at the 30th September shows a higher level of business rates for 2013/14 due to the impact of appeals being lower than forecast in January 2013. There is no direct financial impact to the council from this for 2013/14 as the council is still forecast to be at the safety net and therefore the council's share of the increased business rates of £1.974m will be offset pound for pound by a reduced safety net grant.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The provisional outturn position on council controlled budgets is an overspend of £1.762m. In addition the council's share of the forecast overspend on NHS managed Section 75 services is £0.283m. Any underspend at year-end would release one off resources that can be used to aid budget planning for 2014/15. Any overspend will need to be funded from available general reserves which may need to be replenished if the working balance falls below the approved level of £9.000m.

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 underlying month 7 position has not improved further since Month 5 due primarily to continuing pressures and difficulties in delivering planned savings across Adult Social Care. At this stage of the year, the use of remaining risk provisions of £0.587m is now appropriate to partially mitigate the position. The remaining forecast risk will need to be taken into account in setting the 2014/15 General Fund revenue budget.
- 6.2 Executive Directors will continue to keep the position under close scrutiny and will take appropriate action to reduce spending, manage vacancies and develop financial recovery plans where necessary to improve the position as far as possible by the year end.

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

- 7.1 The financial implications are covered in the main body of the report.

Finance Officer Consulted: Jeff Coates Date: 18/11/13

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.

Lawyer Consulted: Oliver Dixon Date: 18/11/13

Equalities Implications:

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

Sustainability Implications:

- 7.4 There are no direct sustainability implications arising from this report.

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 Performance
2. Value for Money Programme Performance
3. Capital Programme Performance
4. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.