CABINET	Agenda Item 168 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) Month 9**	
Date of Meeting:		**12 February 2009**	
Report of:		**Interim Director of Finance & Resources**	
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel: 29-3104**
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Key Decision:	**Yes**	**Forward Plan No. CAB 7455**	
Wards Affected:	**All**		

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 December 2008 (month 9).

1.2 The council is delivering services within budget and has taken the appropriate measures to manage in-year pressures, including significant unavoidable pressures on the council tax collection fund, energy costs and adult social care budgets. CYPT financial performance is also being managed effectively in a climate of increased national and local focus on children's services and the additional pressure this places on services.

1.3 This reflects the council's effective monitoring and control of financial performance and the measures it has taken to ensure better use of public funds, including achieving ambitious efficiency savings of over £5 million and the implementation of council-wide value for money reviews.

2. RECOMMENDATIONS:

2.1 That the Cabinet note the much improved forecast outturn position for the General Fund, which is now forecasting an underspend of £2.133 million.

2.2 That the Cabinet note the forecast outturns for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2008/09 as at month 9.

2.3 That the Cabinet agree that the net forecast underspend of £1.647 million be added to general reserves to contribute to the Medium Term Financial Strategy and balance out investment income pressures over the next 3 years due to current market conditions.

2.4 That an earmarked reserve be set up for the Housing Revenue Account Estate Development Budget and that balances held for the Estate Development Budget at the 1 April 2008, in the HRA reserves are transferred to this earmarked reserve.

2.5 That the Cabinet note the forecast outturn position, £0.048 million underspend, on the capital budgets as at month 9.

2.6 That the Cabinet approve the following changes to the capital programme:
Budget re-profiles (Appendix 4)
Budget variations (Appendix 5)
Slippage (Appendix 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.

3.2 The position at month 9 shows that the council is managing within its available resources despite significant in-year pressures relating to the council tax collection fund and Adult Social Care placements. A number of directorate budgets are also under pressure but the forecast position has improved by £1.465 million since month 6, reflecting recovery actions taken to date and overall, directorate budgets are forecasting a slight underspend. The council position continues to be supported by improvements on Centrally Managed Budgets including savings on Insurance Contracts, lower than expected costs of the concessionary fares scheme, and good investment performance on the council's cash balances despite falling interest rates. More detailed explanation of the variances below can be found in Appendix 1.

Forecast Variance Month 6 £'000	**Directorate**	2008/09 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
532	Adult Social Care & Housing	42,964	43,504	540	1.3%
165	S75 Learning Disability Services	22,761	23,008	247	1.1%
32	Children & Young People's Trust	52,486	51,240	(1,246)	-2.4%
-	Finance & Resources	16,834	16,757	(77)	-0.5%
(12)	Strategy & Governance	10,857	10,845	(12)	-0.1%
176	Environment	39,289	39,505	216	0.5%
169	Cultural Services	13,445	13,602	157	1.2%
1,062	Sub Total	198,636	198,461	(175)	-0.1%
1,460	Collection Fund	-	1,445	1,445	0.0%
(3,190)	Centrally Managed Budgets	21,488	18,085	(3,403)	-15.8%
(668)	Total Council Controlled Budgets	220,124	217,991	(2,133)	-1.0%
644	NHS Trust managed S75 Services	14,291	14,777	486	3.4%
(24)	Total Overall Position	234,415	232,768	(1,647)	-0.7%

3.3 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. The financial risk for these services generally lies with the relevant provider Trust but where overspending is due to commissioning changes (e.g. increased demand) there may be a shared risk to the council as joint commissioner. The forecast outturn on the HRA is as follows:

Forecast Variance Month 6 £'000	**Housing Revenue Account**	2008/09 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Variance Month 9 %
(74)	Expenditure	47,082	46,797	(285)	-0.6%
(266)	Income	(46,832)	(46,920)	(88)	-0.2%
(340)	Total	250	(123)	(373)	

Corporate Critical Budgets

3.4 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 6 £'000	**Corporate Critical**	2008/09 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(281)	Child Agency & In House	21,912	20,940	(972)	-4.4%
160	Sustainable Transport	(533)	(349)	184	34.5%
(560)	Housing Benefits	154,396	153,836	(560)	-0.4%
600	Land Charges Income	(957)	(357)	600	62.7%
(1,820)	Concessionary Fares	9,158	7,225	(1,933)	-21.1%
873	Community Care	21,121	21,992	871	4.1%
165	Section 75 Learning Disabilities	22,761	23,008	247	1.1%
1,460	Collection Fund	-	1,445	1,445	0.0%
597	Total Council Controlled	227,858	227,740	(118)	-0.1%
175	S75 NHS & Community Care	14,291	14,777	486	3.4%
772	Total Corporate Criticals	242,149	242,517	368	0.2%

3.5 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.

Efficiency Savings

3.6 The Comprehensive Spending Review 2007 assumes that, nationally, local authorities will deliver 3% cash releasing gains year-on-year. Progress made by authorities will be reported via the new National Indicator NI 179 – 'Value for Money: total net value of ongoing cash-releasing gains that have impacted since the start of the 2008/09 financial year'.

3.7 The national requirement to produce 3% cash releasing gains is reflected in the Medium Term Financial Strategy approved by Cabinet in June. Appendix 3 to this report summarises the efficiency savings agreed as part of the 2008/09 budget process and current progress against their achievement. Variances to the agreed efficiencies are included in the directorate forecasts.

Impact on the Medium Term Financial Strategy (MTFS)

3.8 The MTFS assumes a breakeven outturn position for 2008/09 on general fund budgets, the current forecast is an underspend of £2.133 million, which will contribute to reserves. A full review of the reserves position is included in the General Fund Budget Report elsewhere on this agenda. However, it should be noted that future levels of investment interest are expected to be significantly reduced and any surplus reserves will be needed to meet this shortfall.

Estates Development Budget

3.9 Currently, resources that are approved for Estates Development are held within the total HRA reserves, prior to spending. A new earmarked reserve for EDB (Estates Development Budget) expenditure will improve clarity by separating out the EDB funds available for use. EBD balances as at 1 April 2008 totalled £0.707 million.

Capital Budget 2008/09

3.10 This part of the report gives Members details of the capital programme budget position for 2008/09.

3.11 On 28 February 2008, Budget Council considered a capital investment programme report for the financial year 2008/09 and agreed a capital investment programme of £54.799 million. Some of this expenditure related to schemes already live, while some schemes have been approved in detail since that meeting.

3.12 The following table shows the currently approved capital budget.

	2008/09 Budget £'000
Slippage brought forward from 2007/08 approved 12 June 2008	1,407
Capital Investment Programme (approved at Budget Council)	54,799
Changes to the Capital Budget since approval	2,669
Total Capital Budget 2008-09 as at month 9	58,875

3.13 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

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

Capital Forecast **Directorate**	2008/09 Budget £'000	Budget Reprofiles £'000	Budget Variations £'000	Amended Budget £'000	Forecast Outturn £'000	Slippage Forecast £'000	Forecast Variance £'000
Strategy & Governance	910	(800)		110	110	-	-
Cultural Services	2,079	(336)		1,743	1,623	120	-
Finance & Resources	7,132	(1,103)	278	6,307	6,271	36	-
Adult Social Care & Housing	9,979	(1,422)		8,557	8,557	-	-
Housing Revenue Account (HRA)	14,167	(578)	(943)	12,646	12,561	85	-
Children & Young People's Trust	8,930	43	316	9,289	8,754	521	(14)
Environment	15,678	(1,698)		13,980	13,946	-	(34)
Total Council Budgets	58,875	(5,894)	(349)	52,632	51,822	762	(48)

3.15 The HRA forecast includes a transfer of £0.904 million of expenditure and budget from the capital programme to revenue following an analysis of the spend. It is not always possible to identify the appropriate split between capital and revenue expenditure for these projects at budget setting time until the programme is underway during the year, more detail can be found in Appendix 5.

Budget Reprofiling

3.16 Delays have been identified in some projects due to factors outside of our 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

3.17 Project managers have forecast that £0.762 million of the capital budget may slip into the next financial year. £0.521 million relates to devolved school budgets – budgets over which schools control the timing of the expenditure. The net slippage on the directly controlled budgets therefore amounts to £0.241 million, or 0.46% of the budget.

Prudential indicator for capital expenditure

3.18 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 2008/09, these were set by the council on 28 February 2008. One of these indicators is 'capital expenditure' and in February the council set this at £54.799 million for 2008/09. This indicator helps us to demonstrate that our capital expenditure plans are affordable.

3.19 The Capital Investment Programme report, also approved in February, demonstrated how it was fully funded and affordable. The revenue effects of this programme were fully considered as part of the revenue budget setting process.

Capital Receipts

Capital receipts are used to support the capital programme. For 2008/09 the programme is fully funded, however, any changes to the level of receipts during the year will impact on future years' capital programmes. Capital receipts (excluding housing) were estimated to be £2.6m. Currently, £1.8m has been received including the final balance on Royal York Building, the sale of 12 St. Georges Place and the sale of 24 Windlesham Road. This leaves £0.8m 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.

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. Budget Council previously agreed that the first £0.5m of 'right to buy' sales would be used to finance support for major projects with the remainder being available to support investment in housing. The estimated useable receipts for 'right to buy' sales were £1 million for this financial year, however, on current projections this is now forecast to be at £0.18 million for the year. The shortfall of funding for the projected investment in housing is now being met from HRA revenue reserves. 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 the review will be reported within the Capital Investment Programme report due to Cabinet in February 2009.

Comments by the Director of Finance & Resources

The forecast outturn position on the revenue budget shows a further improvement since month 6. Given the potential pressures next year including equal pay, energy costs and the impact of demographic changes and the economic climate, directorates are required to maintain downward pressure on costs for the remainder of the year.

The full implications of the forecast position on the 2009/10 budget and the Medium Term Financial Strategy are set out in the General Fund Revenue Budget Report to Overview & Scrutiny Committee, Cabinet and Full Council.

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 a 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: 19/01/09

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 underspend of £2.133 million, any underspend will be added to unallocated general reserves unless approval is given to allocate funds to specific reserves or contingencies.

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. Directorate Revenue Outturn Forecasts

2. Corporate Critical Budgets Activity Data

3. Progress Against the Achievement of the 2008/09 Efficiency Savings

4. Proposed Capital Budget Reprofile Requests

5. Proposed Capital Budget Variations

6. Proposed Capital Slippage

Documents in Members' Rooms

None

Background Documents
None