

Subject:	Targeted Budget Management (TBM) Provisional Outturn 2015/16		
Date of Meeting:	9 June 2016		
Report of:	Executive Director of Finance & Resources		
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Ward(s) affected:	All		

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 provisional outturn position (i.e. Month 12) on the council's revenue and capital budgets for the financial year 2015/16.
- 1.2 The final outturn position is subject to the annual external audit review. The final position will be shown in the council's financial statements which must be signed by the Chief Finance Officer by 30 June 2016 and the audited set approved by the Audit & Standards Committee by 30 September 2016.
- 1.3 In summary, the council has achieved an improved resource position of £1.299m on the General Fund since month 9 (December) was reported in February 2016 at which point the forecast resource position was fixed and taken into account in assessing the one-off resources available to support the 2016/17 budget. The improvement relates primarily to additional, one-off Better Care Fund contributions of £0.868m from the Brighton & Hove Clinical Commissioning Group toward Adult Social Care pressures and reduced insurance costs of £0.324m. There were therefore only limited net movements on directorate service budgets since month 9.

2 RECOMMENDATIONS:

- 2.1 That the Committee note that the provisional outturn position for the General Fund is an improvement of £1.299m compared to the projected and planned resource position taken into account when setting next year's budget, including the Month 9 forecast position.
- 2.2 That the Committee note that in total, the General Fund underspend is therefore a £4.780m underspend, which is made up of the projected and planned resources of £3.481m reported to Budget Council in February 2016, including the Month 9 forecast position, together with the improved resource position since month 9 of £1.299m.
- 2.3 That the Committee note the provisional outturn overspend of £0.473m on the council's share of the NHS managed Section 75 services.

- 2.4 That the Committee approve the allocation and use of the additional one-off General Fund resources of £1.299m as set out in paragraph 3.4.
- 2.5 That the Committee note the provisional outturn for the Housing Revenue Account (HRA), which is an underspend of £2.037m.
- 2.6 That the Committee note the provisional outturn position for the Dedicated Schools Grant which is an underspend of £0.432m.
- 2.7 That the Committee approve carry forward requests totalling £1.322m as detailed in Appendix 3.
- 2.8 That the Committee approve the creation of the earmarked reserves as set out in paragraph 6.2.
- 2.9 That the Committee note the provisional outturn position on the capital programme.
- 2.10 That the Committee approve the following changes to the capital programme.
- i) The variations and reprofiles in Appendix 5 and the new schemes as set out in Appendix 6.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Change in resources since Month 9 (Budget Setting)

- 3.1 Although the council appears to have achieved a large underspend at year-end, the Committee are advised that when setting the 2016/17 budget in February, the following resource assumptions, including those emanating from a planned change to the council's Minimum Revenue Provision (MRP), were already assumed and taken into account in setting the 2016/17 budget:

Projected and Planned One-off Resources for Budget Setting	£'000
TBM Month 9 Forecast Position:	
TBM Council controlled overspend as at month 9	452
TBM NHS managed S75 overspend (risk share) as at month 9	489
Total TBM Month 9 Forecast Overspend	941
Planned (assumed) Additional Resources at Budget Setting:	
Assumed additional funding from the pooled Better Care Fund (CCG)	(500)
Planned use of the available 2015/16 risk provision	(1,622)
Planned one-off resources resulting from the proposed change to the Minimum Revenue Provision (MRP) policy (agreed at Budget Council)	(2,300)
Total Projected (assumed) Additional Resources	(4,422)
Net one-off resources (i.e. underspend) projected/assumed to be available to support the 2016/17 revenue budget	(3,481)

When setting the 2016/17 revenue budget, it was therefore projected/assumed that £3.481m would be available to provide one-off resources to support the 2016/17 budget. The use of this resource (and other one-off funding) in 2016/17 was set out in detail in the budget report to Full Council (paragraphs 3.24 and 3.25 of the General Fund Revenue Budget Report to Full Council, 25 February 2016). In essence therefore, when considering the provisional outturn position, **only the movement since month 9 is relevant**. To illustrate this, the table below compares the Month 12 provisional outturn position with the projected/assumed resources for budget setting including the Month 9 forecast position. This shows that the forecast/resources have improved by £1.299m since month 9.

Change in resources from Budget Setting Council (including the Month 9 forecast) to Provisional Outturn	Assumed /Forecast Position Month 9	Current Position Month 12	Movement from Budget Setting Council (Month 9) to Month 12
	£'000	£'000	£'000
Council Controlled overspend forecast	452	65	(387)
NHS managed Section 75 overspend forecast (risk share)	489	473	(16)
Sub-Total TBM overspend forecast	941	538	(403)
Better Care Funding from Health	(500)	(1,368)	(868)
Available 2015/16 Risk Provision	(1,622)	(1,622)	(0)
One-off resources assumed to be released by the change to Minimum Revenue Provision	(2,300)	(2,328)	(28)
Total One-off Resources	(3,481)	(4,780)	(1,299)

- 3.2 Therefore, while the General Fund outturn shows a £4.780m underspend (net of Section 75 overspending), the relevant underspend at outturn is the movement since Budget Setting Council (including the month 9 forecast), i.e. £1.299m. This improvement is due to a substantial additional contribution of £0.868m from the pooled Better Care Fund (held by Brighton & Hove Clinical Commissioning Group) toward Adult Social Care pressures in 2015/16. There has also been an additional £0.255m provided toward Section 75 pressures by the B&H Clinical Commissioning Group (CCG). The other main movement is a reduction of insurance costs of £0.324m. Details of these movements and all other directorate changes are provided in Appendix 1 and 2 as normal.
- 3.3 Subject to approval of the carry forward requests in this report, this means that £1.299m additional one-off resources are available for consideration by the Policy, Resources & Growth Committee. However, in the first instance £0.143m of this is required to repay sums to the Restructure & Redundancy Reserve in respect of budget amendments approved at Budget Council which required one-off resources.

Allocation of additional resources

- 3.4 The following table sets out the proposed allocation of the additional resources available at outturn of £1.229m:

Proposed Allocation	Rationale	Amount Proposed
Additional risk provision against Adult Social Care (ASC) and Children's Social Care Demand Management risks	There are nationally recognised pressures on ASC and Children's social care. The provisional outturn report shows that the underlying trends on Corporate Critical social care budgets (paragraph 3.12) are not yet abating. Although the 2016/17 budget provides significant service pressure funding, there remains a risk that demand management activities will not be able to contain or reduce demands to a sufficient degree. If not utilised, these resources would be available to support the 2017/18 budget.	£0.700m
Additional Homelessness risk provision	Brighton and Hove has well recognised issues regarding temporary accommodation and the problems are continuing to grow as the trends on local house prices and levels of private rented accommodation show no signs of immediate change. If not utilised, these resources would be available to support the 2017/18 budget.	£0.100m
Restructure & Redundancy Reserve	The number of posts being deleted has increased significantly and it appears that a higher proportion of these are resulting in severance costs than in previous years at higher average costs. This allocation would provide additional provision that would contribute to the authority's financial resilience in managing change and reducing resources. If not utilised, these resources would be held over to support restructuring in later years.	£0.200m
Restructure & Redundancy Reserve	This allocation is already approved by Budget Council. A number of approved budget amendments required one-off resources and utilised Restructure & Redundancy Reserve resources in lieu of repayment at year-end should the outturn position be favourable. These sums will therefore be repaid to the reserve from the additional resources available at outturn.	£0.143m

City Parks	Primarily to fund a pressure on the cemetery maintenance service.	£0.100m
Transport	For dropped kerbs where there is currently a long waiting list.	£0.056m
	Total One-off Allocations	£1.299m

- 3.5 The remainder of this report is in the standard TBM format and compares the movement from Month 9 to outturn as normal.

Targeted Budget Management (TBM) Reporting Framework

- 3.6 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.
- 3.7 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)

- 3.8 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Executive Leadership Team. More detailed explanation of the variances can be found in Appendix 2.

Forecast Variance Month 9 £'000	Directorate	2015/16 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
1,931	Children's Services	58,606	60,533	1,927	3.3%
3,111	Adult Services	69,002	70,648	1,646	2.4%
(227)	Environment, Development & Housing	24,088	23,432	(656)	-2.7%
(609)	Assistant Chief Executive	13,817	13,234	(583)	-4.2%
(348)	Public Health (incl. Community Safety & Public Protection)	4,839	4,475	(364)	-7.5%
(2,213)	Finance, Resources & Law	30,463	28,635	(1,828)	-6.0%
1,645	Sub Total	200,815	200,957	142	0.1%
(1,193)	Corporate Budgets	5,885	490	(5,395)	-91.7%
452	Total Council Controlled Budgets	206,700	201,447	(5,253)	-2.5%

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

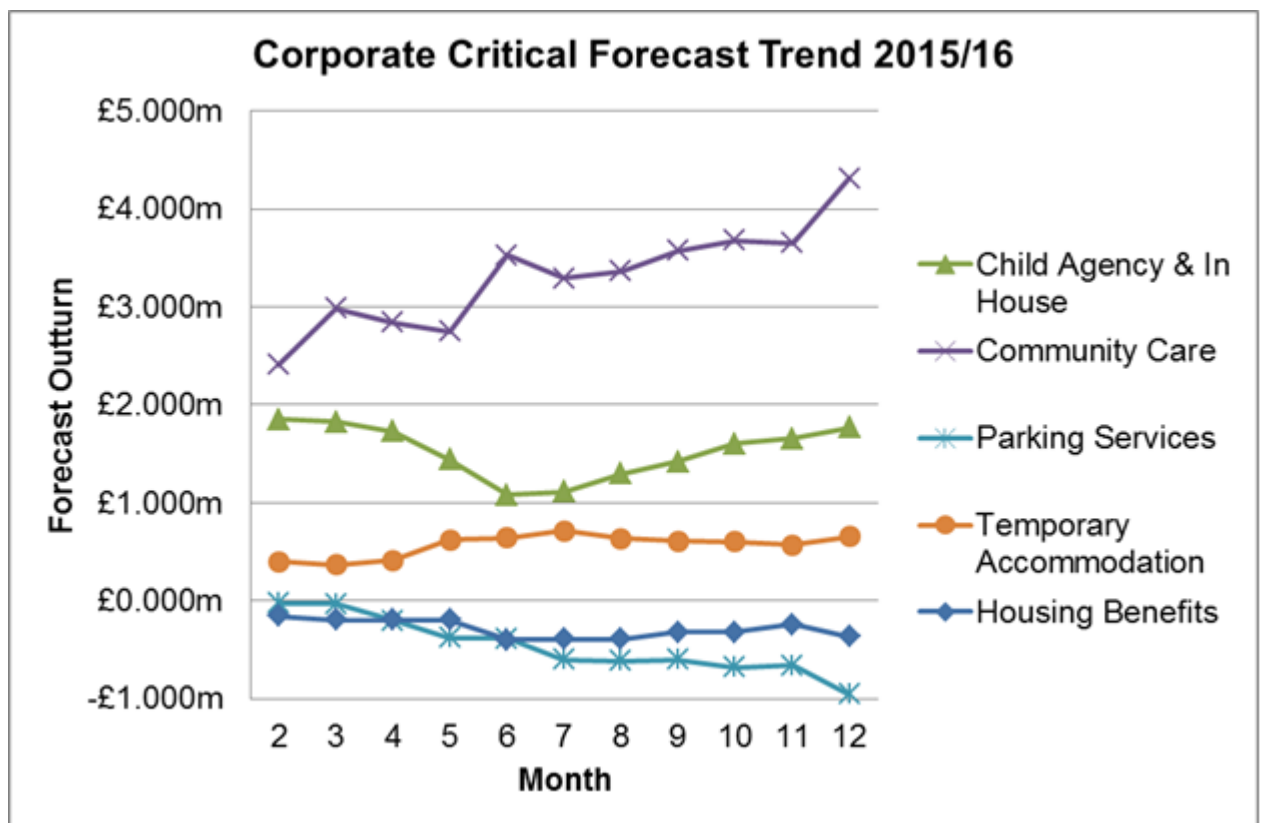
3.10 The large 'Corporate Budgets' underspend in the table above includes resources that were planned to be provided toward the 2016/17 budget as set out in the General Fund Revenue Budget report to Full Council in February. This includes £2.328m for the change to the council's Minimum Revenue Provision (MRP) policy and the release of the risk provision of £1.622m as explained in paragraph 3.1 above. These resources enabled the council to identify the necessary investment needed in 2016/17 to deliver 4-Year Integrated Service & Financial Plan savings and associated modernisation programmes, as well as provide one-off service pressure funding. Further details of the Corporate Budgets outturn are provided in Appendix 1 and 2.

Corporate Critical Budgets

3.11 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. The Community Care figures in the table below exclude one-off Care Act funding of £2.228m and one-off Better Care funding of £0.971m applied to these areas.

Forecast Variance Month 9 £'000	Corporate Critical	2015/16 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
1,416	Child Agency & In House Placements	20,454	22,220	1,766	8.6%
3,570	Community Care	36,711	41,019	4,308	11.7%
(603)	Parking Services	(17,044)	(17,998)	(954)	-5.6%
606	Temporary Accommodation	792	1,448	656	82.8%
(323)	Housing Benefits	(637)	(1,004)	(367)	-57.6%
4,666	Total Council Controlled	40,276	45,685	5,409	13.4%

3.12 The forecast trend on Corporate Critical Budgets over the year-to-date is shown in the graph below. It indicates that Adult Social Care (Community Care) and Temporary Accommodation pressures have been growing over the year while Children's had improved but is now on an upward trajectory. These trends have been reflected in the increased service pressure funding provided in the 2016/17 revenue budget proposals.



Summary of the position at Outturn

The main pressures reported at outturn continue to be across Children's and Adults Social Care and Homelessness (Temporary Accommodation) as follows:

3.13 Children's Services: Nationally, there has been an increase in child protection activity and for example, data received during the year showed that there was a 12% increase in the number of Section 47 enquiries initiated last year compared with the previous year and a 10% increase in the number of initial child protection conferences carried out. Exact causes are difficult to pinpoint locally and nationally as, generally, families experience multiple difficulties. The cumulative effect of welfare reform is an added factor. Locally, the earlier interventions resulting from the creation of a Multi-agency Support Hub (MASH) will have also contributed to increased caseload, so social workers are experiencing a rise in the number of cases coming through as well as cases taking longer to resolve, which means a rise in their caseloads generally creating capacity issues. In Brighton & Hove, the number of children under a child protection plan rose significantly from 310 as at 31st March 2015 to 424 as at 31st August 2015 – an increase of 37% - dropping to 393 at 31st March 2016. As a comparison, the number of children under a CP Plan was 286 as at 31st August 2014.

The significant increase in the pressure on the social work service and a re-design of the service, which was delayed due to the Ofsted Inspection, also meant that a higher number of agency management staff were required than desired (which has since been addressed) and a greater pressure on the spend on residential placements for some of our vulnerable children and young people. In response to the latter an adolescent service has been developed and has improved performance management through the new model of practice. This will ensure that only those children who need support are placed into the care of the local authority.

Overall, this resulted in overspends of £1.218m on social services staffing and £1.516m on placement budgets (as above). Together with risks of £0.681m on savings plans, and other underspendings of £1.488m, this explains the final outturn of £1.927m.

3.14 Adults Services: The outturn position is an overspend of £1.646m which is a decrease of £1.465m from Month 9. This is primarily due to the application of one-off funding from the Better Care Fund of £1.368m toward sustained pressure on residential admissions which the Better Care programme is expected to reduce over the medium term. There are very substantial pressures on the health and social care system which are recognised nationally and resulted in significant lobbying of central government. An Adult Social Care council tax precept of 2% was provided as an option by central government to enable authorities to provide additional resources. This option was taken up by the authority providing £2.3m alongside other service pressure funding of £4.3m provided for in the 2016/17 budget.

The outturn risk includes the following main elements that are described in more detail in Appendix 1:

- Approved budget savings of £8.101m at month 12 fell short of the target by £0.821m;
- In-year spend has been reduced by £2.149m as a result of the action taken to manage demand for and cost of community care placements, improved forecasting through data quality checks, increased scrutiny and management controls and funding from health that has been agreed;

- The in year forecast includes one-off funding identified for the Care Act implementation and Better Care Fund totalling £3.199m which has been applied to support the investment required to deliver the savings plans. There is a subsequent risk in 2016/17 on the savings as a result of this investment being non-recurrent;
- There are unachieved savings from previous years of £3.184m across assessment and provider services for which mitigating recovery plans achieved £0.503m to leave a significant risk of £2.681 million against these savings (reflected in the outturn overspend);
- The main area of overspending (£3.750m) concerns service pressures identified at the beginning of the year relating to increased complexity of need, increased cost of transitions cases, pressures on the provider services budget and Deprivation of Liberty Standards (DoLS) cases. There is a financial and reputational risk to the council if the DoLS cases are not assessed and authorised in accordance with the Mental Capacity Act requirements and developing case law;
- The Better Care Fund also covered additional cost pressures against the new community equipment contract. An additional allocation has been applied to residential and nursing care placements and making use of the flexibility there to achieve agreed outcomes.

3.15 Housing Services and Temporary Accommodation: There is a £0.656m pressure mainly relating to the ongoing need to spot-purchase expensive bed and breakfast accommodation which has been made worse by the need to hand back leased properties this year. This reflects growing homelessness and the difficulty of securing affordable private rented homes in the city to meet the council's statutory housing obligations in a period of rapidly rising house and private rent prices. With the new framework in place, more cost effective leased properties are being procured but these are not keeping pace with demand. Therefore the need to spot purchase nightly temporary accommodation has not reduced as originally forecast. The review of properties with Adults and Children's services clients has not resulted in any properties being released. Although 100 new leased properties have just been procured it will take some months before these become available. Other landlords with fewer properties are also being approached with a view to expanding the leased property portfolio. Housing services (General Fund) also have a number of undeliverable savings (£0.117) which has contributed to the Housing overspend position.

Carry Forward Requests (Appendix 3)

3.16 Under the council's Financial Regulations, the Director of Finance¹ may agree carry forwards of up to £0.050m per member of the Corporate Management Team (up to a maximum of £1m in total) if it is considered that this incentivises good financial management. However, as the council's financial position is more challenging, carry forwards have only been allowed this year where there is clear evidence of a prior commitment that was not able to be completed or undertaken by the end of the financial year. Fortuitous underspends have not been allowed as carry forwards. A total of £0.218m has been agreed for 7 service areas to ensure planned commitments can be met in 2016/17.

¹ Director of Finance is a generic term used in Financial Regulations meaning the Chief Financial Officer or S151 Officer, which in this council is the Executive Director Finance & Resources

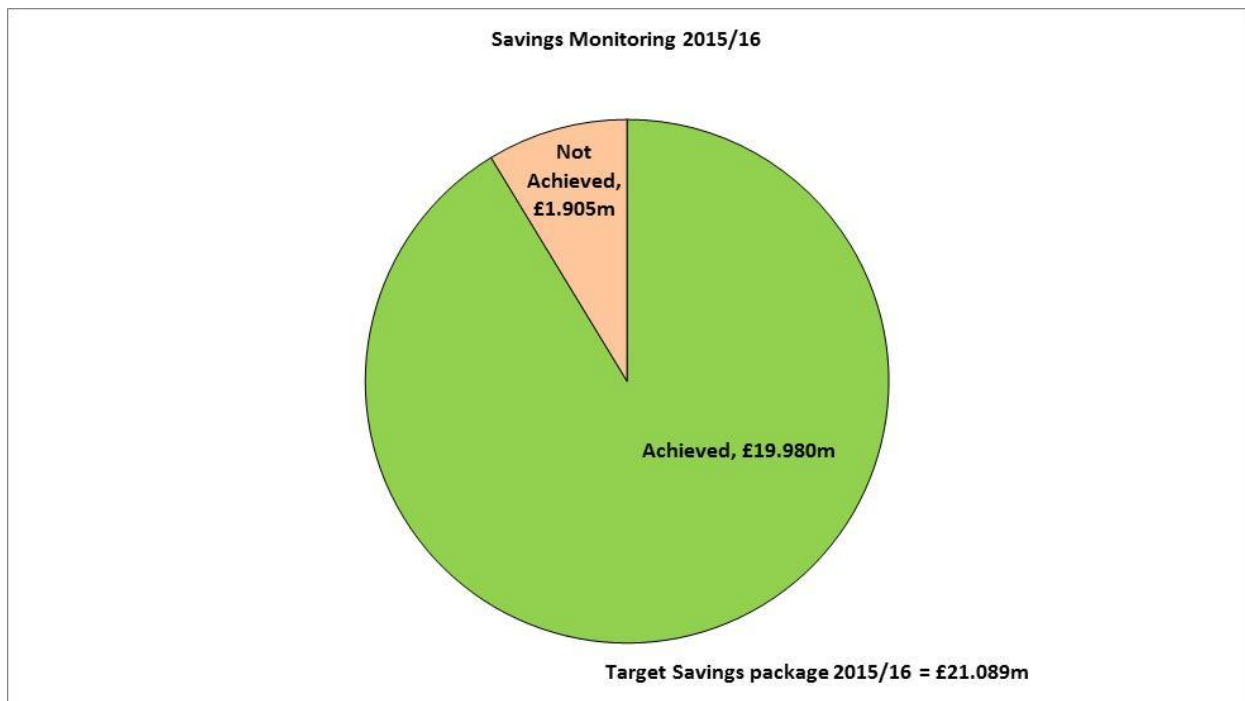
3.17 Policy, Resources & Growth Committee approval is required for carry forward requests in excess of £0.050m. These include grant funded and non-grant funded carry forwards totalling £1.322m and have been included in the outturn figures above. The principles outlined in paragraph 3.16 above also apply. An analysis of these is provided in Appendix 3 split into two categories as follows.

- i) The non-grant funded element of carry forwards totals £0.289m. 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.
- ii) The grant funded element of carry forwards totals £1.033m. 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. Within the total of £1.033m, a sum of £0.432m 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.

Monitoring Savings

3.18 The savings package approved by full Council to support the revenue budget position in 2015/16 was £21.089m (£24.852m in a full year). This is a very large savings package and follows 4 years of substantial packages totalling nearly £77m of which around £76m was achieved by year-end. Achievement of savings programmes and actions in 2015/16 was closely monitored to ensure satisfactory progress and, so far as possible, to avoid adding to financial pressures in future years through non-achievement.

3.19 Appendix 2 provides a summary of savings in each directorate and indicates in total what has been achieved and not achieved at year-end. Appendix 4 summarises the position across all directorates and provides details of those savings that were not achieved. The graph below provides a summary of the position as at Month 12. This shows that a substantial proportion of the savings programme for 2015/16 was met with £1.905m not being achieved due to a range of factors outlined in Appendix 4. However, this was partially offset by an over-achievement of £0.796m on other savings areas resulting in overall savings of £19.980m. As savings become more complex and challenging to deliver with time there will inevitably be an element of savings that may become unachievable or delayed for which the council identifies appropriate 'risk provisions' when setting the budget each year.



Housing Revenue Account Performance (Appendix 2)

3.20 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 provisional outturn is an underspend of £2.037m and more details are provided in Appendix 2.

Dedicated Schools Grant Performance (Appendix 2)

3.21 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 provisional outturn is an underspend of £0.432m 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)

3.22 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.

3.23 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 result in financial implications for

the council where a partnership is underspent or overspent at year-end and hence the performance of the partnerships is reported as a memorandum item under TBM throughout the year. The council's contribution to the risk share at outturn for Section 75 partnerships is an overspend of £0.473m. Details are provided in Appendix 1.

Month 9 Forecast Variance £'000	Section 75	2015/16 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
489	NHS Trust managed S75 Services	11,107	11,580	473	4.3%

Capital Programme Performance and Changes

3.24 The Capital programme spans more than one financial year and therefore monitoring is different to that of the annual revenue budget. Performance needs to be looked at from five 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 5. 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 budget 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 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 5.

3.25 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £1.271 m which is detailed in Appendix 5.

Month 9 Forecast Variance £'000	Capital Budgets	2015/16 Capital Budget £'000	Provisional Outturn £'000	Provisional Outturn Variance £'000	Provisional Outturn Variance %
0	Children's Services	11,433	11,420	(13)	-0.1%
0	Adult Services	404	404	0	0.0%
368	Environment, Development & Housing – General Fund	40,093	39,688	(405)	-1.0%
220	Environment, Development & Housing - HRA	32,407	31,829	(578)	-1.8%
(19)	Assistant Chief Executive	2,443	2,286	(157)	-6.4%
0	Public Health	376	376	0	0.0%
0	Finance, Resources & Law	14,714	14,596	(118)	-0.8%
0	Corporate Services	25	25	0	0.0%
569	Total Capital	101,895	100,624	(1,271)	-1.2%

(Note: Summary may include minor rounding differences to Appendix 5)

3.26 Appendix 5 shows the changes to the budget and Appendix 6 provides details of new schemes added to the Capital Programme after TBM Month 9 still to be approved and new schemes for 2016/17. 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 9 report.

Capital Budget Movement	2015/16 Budget £'000
Summary	
Budget approved at Month 9	111,553
Changes reported through other Committees	0
IFRS Changes (to be noted)	(2,847)
Variations to Budget (to be approved)	1,733
Reprofiling of Budget (to be approved)	(7,750)
Slippage (to be approved)	(794)
Total Capital	101,895

3.27 Appendix 5 also details any slippage into next year. In total, project managers have forecast that £0.794m of the capital budget may slip into the next financial year and this equates to 0.8% of the budget.

Implications for the Medium Term Financial Strategy (MTFS)

3.28 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.

Capital Receipts Performance

3.29 Capital receipts are used to support the capital investment programme. For 2015/16 a total of £10.831m capital receipts (excluding 'right to buy' sales) have been received in connection with the disposal of Eastbrook Farm allotments, 76-79 and 80 Buckingham Road, 2 Boundary Road, the appropriation of the Whitehawk library site, the Community Stadium hotel lease, lease extension at Crowhurst Road, the disposal of a number of minor lease extensions at the Marina and the repayment of improvement grants.

3.30 The Government receives a proportion of the proceeds from '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 investment programme. The total net usable receipts for 'right to buy' sales in 2015/16 is £5.881m including £5.431m available for replacement homes..

3.31 A total of £2.899m receipts from the housing Local Delivery Vehicle (LDV) have been received in 2015/16. A final batch will be received during early 2016/17. The net receipts are ringfenced to support investment in council owned homes.

Collection Fund Performance

3.32 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 Crime Commissioner and East Sussex Fire Authority, whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.

3.33 The collection fund for council tax at 31st March 2016 has a surplus of £2.676m which is an improvement of £0.376m (council share = £0.322m) from the forecast surplus of £2.300m in January. The improved surplus mainly arose from better than anticipated arrears collection.

3.34 The collection fund for business rates at 31st March 2016 has a deficit of £3.601m which is an increase of £1.378m (council share £0.676m) from the forecast deficit of £2.223m in January. Within the increase there was a Valuation Office Agency

change backdated to 1 April 2010, outside of the appeals scheme, that reduced the rateable value on 3 doctors' surgeries resulting in a refund of business rates of £0.675m. In addition to this, the year-end provision for backdated appeals needed to be increased by £0.500m and there was an increase in the provision for bad debts of £0.200m.

- 3.35 The council's share of the combined net deficit across both collection funds that has not been factored into the 2016/17 budget is £0.354m and this will therefore be included in the budget forecast for 2017/18.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The provisional outturn position on council controlled budgets is an underspend of £5.253m. The council's risk-share of the provisional overspend on NHS managed Section 75 services is £0.473m, resulting in a net underspend of £4.780m of which £3.481m was already accounted for and utilised for the 2016/17 budget as set out in the General Fund Revenue Budget report to Full Council in February 2016. The overall underspend position will not therefore require the use of reserves and will enable the council to maintain its recommended working balance of £9.000m. The improved resource position since the February Budget Council releases one off resources that can be used to aid budget management and planning for 2016/17 and beyond.

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 resource position at outturn has improved by £1.299m compared with the position projected/assumed for the purposes of the 2016/17 Revenue Budget report to Policy & Resources Committee and Budget Council in February. This indicates a favourable position for the financial year brought about primarily due to additional health contributions (Better Care Fund) toward social care pressures, reduced insurance costs and improvements in other Corporate Budgets. The graph at paragraph 3.12 above indicates however that underlying trends on corporate critical, demand-led budgets remain of concern.

Approval of New Earmarked Reserves

- 6.2 Under Financial Regulations, the committee is required to approve the creation of new earmarked reserves. The table below details proposed earmarked reserves, which will support ongoing projects that span financial years and which have already been accounted for in the outturn position:

Directorate	Description	Reason for Reserve	£'000
Environment, Development & Housing	Road Works Permit Scheme	To separately account for permit income so that any surplus can be carried forward to future years. This will enable the level of fees to	65

		be reviewed to ensure cost recovery over a number of years and reduce significant year on year revenue variances.	
Environment, Development & Housing	Homes in Multiple Occupation (HMO) Licensing Fees Reserve	Licence fees cover a 5 year period and the proposed reserve is to carry forward resources to fund the council's annual inspection and administration costs.	65
Finance & Resources	Social Fund Reserve	This relates to the unspent allocation of the former Social Fund grant to support the BHCC Local Discretionary Social Fund in future years.	271
Total			401

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

- 7.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Cross-Party Budget Review Group and the management and treatment of forecast risks is considered by the Audit & Standards Committee.

Finance Officer Consulted: Jeff Coates Date: 16/05/16

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: Elizabeth Culbert Date: 23/05/16

Equalities Implications:

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

Sustainability Implications:

- 7.4 Although there are no direct sustainability implications arising from this report, the council's financial position is an important aspect of its ability to meet Corporate Plan and Medium Term Financial Strategy priorities. The achievement of a break-even position or better is therefore important in the context of ensuring that there are no adverse impacts on future financial years from performance in 2015/16.

Risk and Opportunity Management Implications:

- 7.5 In 2015/16 the council's revenue budget and Medium Term Financial Strategy contained risk provisions to accommodate emergency spending, even out cash flow movements and/or meet unexpected changes in demands. 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 Movements since Month 9
2. Revenue Budget Performance
3. Carry Forward Requests
4. Summary of 2015/16 Savings Progress
5. Capital Programme Performance
6. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.

