POLICY & RESOURCES COMMITTEE	Agenda Item 80 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2015/16 Month 7**	
Date:		**3 December 2015**	
Report of:		**Interim Executive Director of Finance & Resources**	
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel: 29-3104**
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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 projected forecast risk as at Month 7 (October) on the council's revenue and capital budgets for the financial year 2015/16.

1.2 The month 7 report is an important forecast as it accompanies the draft revenue budget porposals elsewhere on the agenda and indicates the likely financial position that will need to be taken into account when setting the 2016/17 budget.

1.3 Month 6 (September) indicated a substantial forecast risk of £4.751m after taking into account corrective action and the impact of increased recruitment and financial controls introduced in late August. The report to the Special Policy & Resources meeting on 4 November outlined 'improvement targets' across all directorates to bring the position back into balance. The forecast risk for month 7 (October) shows further improvement of nearly £3m bringing the forecast overspend risk down to £1.653m. This is a significant improvement and there must now be reasonable optimism that a break-even position can be achieved over the remaining 5 months. However, this can only be achieved if current strict recruitment and financial controls remain in force.

1.4 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.

2 RECOMMENDATIONS:

It is recommended to:

2.1 Note the forecast risk position for the General Fund, which indicates a budget pressure of £1.653m. This consists of £1.111m on council controlled budgets and £0.542m on the council's share of the NHS managed Section 75 services.

2.2 Note the forecast for the Housing Revenue Account (HRA), which is an underspend of £0.512m.

2.3 Note the forecast for the Dedicated Schools Grant which is an underspend of £0.035m.

2.4 Note the forecast outturn position on the capital programme.

2.5 Approve the capital programme variations and reprofiles in Appendix 3 and new capital schemes in Appendix 4.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Targeted Budget Management (TBM) Reporting Framework

3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy & Resources Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending together with more regular monitoring of high risk 'corporate critical' areas as detailed below.

3.2 The TBM report is normally split into 8 sections as follows:

i) General Fund Revenue Budget Performance
ii) Housing Revenue Account (HRA) Performance
iii) Dedicated Schools Grant (DSG) Performance
iv) NHS Controlled S75 Partnership Performance
v) Capital Investment Programme Performance
vi) Capital Programme Changes
vii) Implications for the Medium Term Financial Strategy (MTFS)
viii) Comments of the Director of Finance (statutory S151 officer)

General Fund Revenue Budget Performance (Appendix 1)

3.3 The table below shows the forecast 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 6 £'000	Directorate	2015/16 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
2,722	Children's Services	55,327	57,681	2,354	4.3%
3,903	Adult Services	66,919	69,728	2,809	4.2%
290	Environment, Development & Housing	30,717	30,652	(65)	-0.2%
(147)	Assistant Chief Executive	15,379	14,890	(489)	-3.2%
(106)	Public Health (incl. Community Safety & Public Protection)	5,114	4,790	(324)	-6.3%
(1,237)	Finance, Resources & Law	29,512	27,510	(2,002)	-6.8%
5,425	Sub Total	202,968	205,251	2,283	1.1%
(1,166)	Corporate Budgets	6,653	5,481	(1,172)	17.6%
4,259	Total Council Controlled Budgets	209,621	210,732	1,111	0.5%

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). 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.

Forecast Variance Month 6 £'000	Corporate Critical	2015/16 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
1,077	Child Agency & In House	20,454	21,566	1,112	5.4%
2,325	Community Care	39,765	40,909	1,144	2.9%
(386)	Parking	(17,078)	(17,685)	(607)	-3.6%
642	Temporary Accommodation	992	1,704	712	71.8%
(400)	Housing Benefits	(637)	(1,034)	(397)	62.3%
3,258	Total Council Controlled	43,496	45,460	1,964	4.5%

Summary of the position at Month 7

The main pressures reported at Month 7 continue to be across Children's and Adults social care and homelessness (temporary accommodation) as follows:

3.6 **Children's Services:** There continues to be increased pressure on the children's social care system both within Brighton and Hove and nationally. This is as a consequence of increased awareness of child abuse and child sexual exploitation following a number of high profile cases nationally. The age range with the largest increase are adolescents who can present quite problematic needs. The national increase in 2013/14 was 10.8% in referrals and a 12.1% increase in children subject to a child protection plan and it is believed this has continued to increase nationally this year. In Brighton and Hove there have been increases as a consequence of introducing improvements in the referral process following the start of the Multi Agency Safeguarding Hub (MASH). The most recent data shows that between March 2015 and June 2015 there was an increase in the number of assessed children from 673 to 976.

3.7 Overall, this is causing a cost pressure of £1.514m on social services staffing and £0.862m on placement budgets (as above). Together with risks of £0.700m on savings plans, and other underspending of £0.722m, this explains the forecast risk of £2.354m at month 7.

3.8 **Adults Services**: The service is facing a significant financial challenge in 2015/16 in mitigating the pressures arising from the 2014/15 overspent position, and managing in year demand alongside implementing the Care Act, developing integration plans through the Better Care programme and completing the Learning Disabilities Review.

3.9 The forecast TBM risk at Month 7of £3.351m has decreased over Month 6 in the light of improved forecasting through data quality checks and the release of one-off funding for the Care Act. The forecast risk includes the following main elements that are described in more detail in Appendix 1:

- Approved budget savings of £8.101m at Month 7 are projected to be £0.018m greater than the savings target but not without risks against the remaining anticipated savings of £1.906m.
- In year spend has been reduced by £3.397m 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 of £2.147m 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 the investment being non-recurrent.
- There are unachieved savings from previous years of £3.184m across assessment and provider services for which mitigating recovery plans have been developed, including the Learning Disability Review, and at

Month 7 there is a significant risk against £2.794m of these savings (as reflected in the forecast overspend) .

- The main area of forecast risk concerns service pressures identified at the beginning of the year of £3.769m relating to increased complexity of need, increased cost of transitions cases, pressures on the provider services budget and Deprivation of Liberty cases. At month 7 there is a significant risk against £3.658m of the plans against these pressures (as reflected in the forecast overspend).

3.10 The funding of all packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet customer aspirations, this forms a key part of the savings implementation plan. Adult Services are also using benchmarking information to support the driving down of unit costs but are faced with increased complexity and growth. Through regional and other social care networks we have been looking at best practice in delivering cost effective services in order to influence future direction- this includes demand management and identifying opportunities through Housing.

3.11 Where practical savings plans for 2016/17 are being brought forward to deliver a part year effect in the current financial year. This includes working towards the refinement of the Resource Allocation System (RAS) by increasing the savings against personal budgets by an additional 3% for the remainder of the financial year, making better use of community assets alongside a more personalised approach, and opportunities for service redesign within provider services.

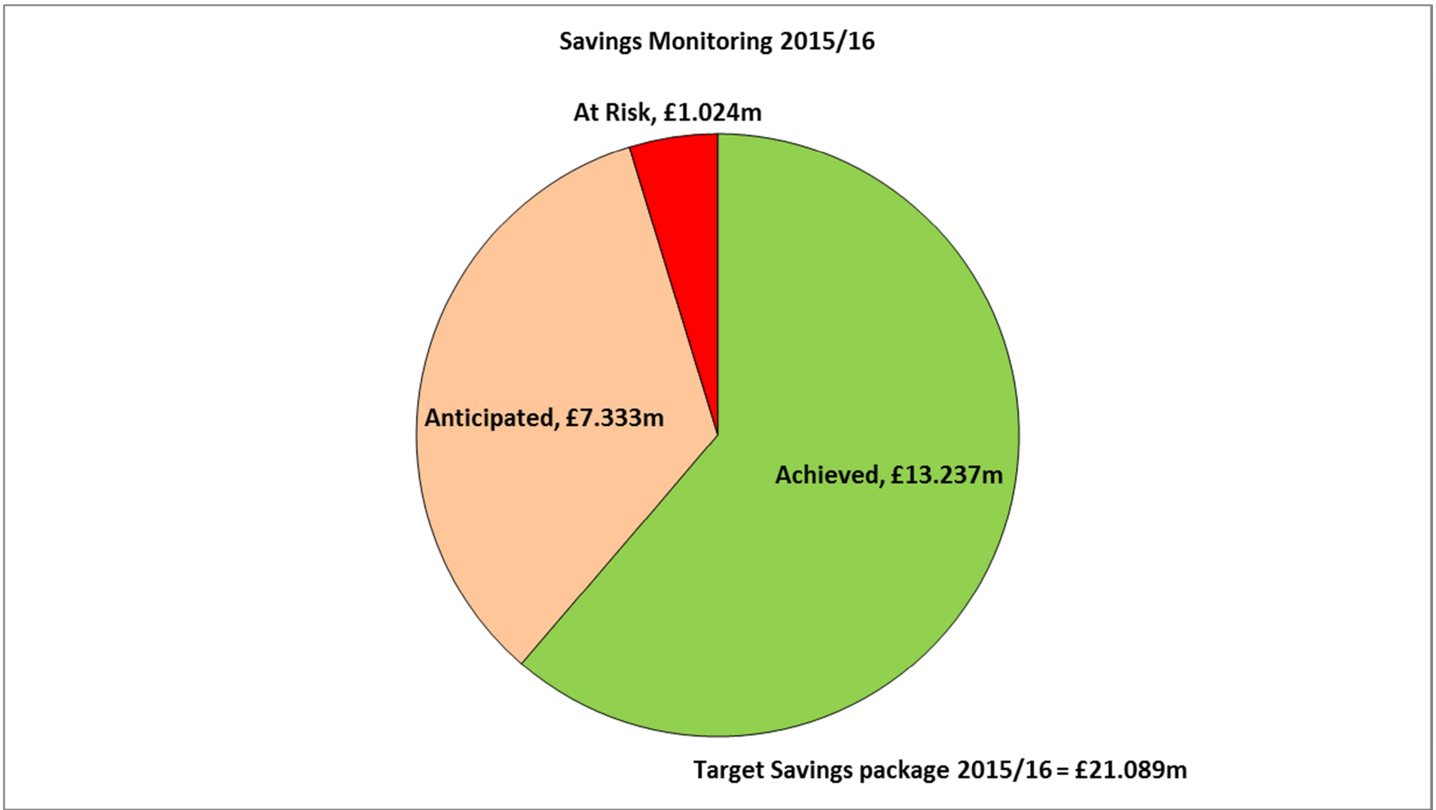
3.12 As described there are significant risks still present within the forecast. In addition, with winter approaching there is potential for a spike in demand and it may be necessary to invest in the relatively fragile care market to ensure that care needs can be met.

3.13 **Housing Services and Temporary Accommodation**: There is a £0.692m 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 54 leased properties so far 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 (£0.150) which has contributed to the Housing overspend position.

Monitoring Savings

3.14 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. Achievement of savings programmes and actions in 2015/16 is closely monitored to ensure satisfactory progress and avoid adding to financial pressures in future years through non-achievement.

3.15 Appendix 1 provides details of savings in each directorate and indicates for each saving what has been achieved, is anticipated to be achieved, or is at risk. Appendix 2 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 7. This shows that delivery of the savings programme for 2015/16 is substantially on track with only a small number of items at risk. Mitigation of these risks is included in the development of services' financial recovery actions.



(Note: Achieved savings can include over-achievements)

Housing Revenue Account Performance (Appendix 1)

3.16 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 current forecast is an underspend of £0.512m and more details are provided in Appendix 1.

Dedicated Schools Grant Performance (Appendix 1)

3.17 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 £0.035m 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)

3.18 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.

3.19 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.

Forecast Variance Month 6 £'000	**Section 75**	2015/16 Budget Month 7 £'000	Forecast Outturn Month7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
493	NHS Trust managed S75 Services	11,555	12,097	542	4.7%

Capital Programme Performance and Changes

3.20 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall overspend of £1.047m forecast at this stage.

Forecast Variance Month 6 £'000	Capital Budgets	2015/16 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
0	Children's Services	25,801	25,801	0	0.0%
0	Adult Services	474	474	0	0.0%
572	Environment, Development & Housing - General Fund	40,342	40,914	572	1.4%
444	Environment, Development & Housing - HRA	36,957	37,451	494	1.3%
(19)	Assistant Chief Executive	4,084	4,065	(19)	-0.5%
0	Public Health	423	423	0	0.0%
0	Finance, Resources & Law	20,152	20,152	0	0.0%
0	Corporate Services	25	25	0	0.0%
997	Total Capital	128,258	129,305	1,047	0.8%

3.21 Appendix 3 shows the changes to the budget and Appendix 4 provides details of new schemes for 2015/16 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 to the October Policy & Resources Committee.

Capital Budget Summary	2015/16 Budget £'000
Approved budget as at Month 5	137,697
Reported at other Policy & Resources committees since Month 5	200
New schemes to be approved in this report (see Appendix 4)	592
Variations (to be approved – see Appendix 3)	329
Reprofiles (to be approved - see Appendix 3)	(9,911)
Slippage (to be approved – see Appendix 3)	(649)
Total Capital Budget	128,258

3.22 Appendix 3 also details any slippage into next year. In total, project managers have forecast that £0.649m of the capital budget may slip into the next financial year and this equates to 0.51% of the budget.

Implications for the Medium Term Financial Strategy (MTFS)

3.23 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.

3.24 The council has set aside risk provisions to mitigate non-achievement of savings or other unexpected pressures should the need arise. Risk provisions currently held are shown in the Corporate Budgets section of Appendix 1. Risk provisions will continue to be held back as every effort should be made to achieve financial balance through in-year savings, mitigating actions and controls, and recovery plans.

Capital Receipts Performance

3.25 Capital receipts are used to support the capital programme. Any changes to the level of receipts during the year will impact on future years' capital programmes and may impact on the level of future investment for corporate funds and projects such as the Strategic Investment Fund, Asset Management Fund, ICT Fund and the Workstyles VFM projects. The planned profile of capital receipts for 2015/16, as at Month 7, is £9.770m against which there have been receipts of £9.187m in relation to the disposal of Eastbrook Farm allotments, the Buckingham Road sites, 2 Boundary Road, the appropriation of the Whitehawk library site, the disposal of, a number of minor lease extensions at the Marina and the repayment of improvement grants.

3.26 The forecast for the 'right to buy sales' in 2015/16 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 50 homes will be sold with a maximum useable receipt of £0.480m to fund the corporate capital programme and net retained receipt of £2.387m available to re-invest in replacement homes. To date 45 homes have been sold in 2015/16.

3.27 A total of £2.275m receipts from the housing Local Delivery Vehicle (LDV) have been received to date. A further tranche of circa £1.400m is expected toward the end of the financial year. The net receipts are ringfenced to support investment in council owned homes.

Collection Fund Performance

3.28 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, East Sussex Fire Authority and the government.

3.29 The council tax outturn for 2014/15 showed an improved position which means there is a brought forward collection fund surplus in 2015/16 of £0.400m, of which the council's share is £0.350m. The in-year monitoring for

2015/16 indicates a surplus of £1.737m, of which the council's share is £1.475m. The main factors within this surplus are lower than forecast Council Tax Reduction (CTR) discounts as a result of reducing caseload (£0.900m), lower student exemptions awards (£0.300m), higher than forecast property numbers (£0.500m), band increases (£0.250m) and higher than forecast discounts of £0.200m for Severely Mentally Impaired (SMI).

3.30 The business rates outturn for 2014/15 showed an improved position of £0.130m for the council. The in-year monitoring for 2015/16 indicates a deficit of £2.007m of which the council's 49% share is £0.983m. This change is mainly caused by the recognition of a greater impact of appeals than previously estimated which requires greater provisions for backdated appeals as well as reducing the anticipated resource from business rates in future years. For example, there has been a national change to the rating of purpose built doctors' surgeries which has reduced rateable value on average by 65%, resulting in significant reductions in the ongoing business rates as well as a one-off payment for the backdated impact. Another example is in relation to a Valuation Office amendment, outside of the appeals scheme, which significantly reduced the rateable value of a property by changing the use from 'shop and premises' to 'retail warehouse and premises' and as this was backdated it reduced the ongoing liability and resulted in a one-off refund.

3.31 In addition to these gross liability changes there are also higher than anticipated awards of small business rates relief, mandatory charity relief and empty reliefs. Business rates still remain a difficult area to predict with certainty and the actual impact from the large number of appeals raised at year-end will not be known until all appeals have been actioned.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS:

4.1 The forecast outturn position on council controlled budgets is an overspend of £1.111m. In addition, the council's share of the forecast overspend on NHS managed Section 75 services is £0.542m. Any overspend at the year end, after risk provisions, would need to be funded from general reserves which would then need to be replenished to ensure that the working balance did not remain below £9.000m. Any underspend would release one off resources that can be used to aid budget planning for 2016/17.

5 COMMUNITY ENGAGEMENT AND 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 position at month 7 is a significant improvement that puts the authority within sight of achieving financial balance over the remaining 5 months. However, there are still underlying pressures and significant risk areas within the forecast and therefore strict recruitment and financial controls must remain in place to maintain a strong grip on financial performance. This will also maintain the focus on containing costs and demands to avoid putting the revenue budget under immediate pressure at the start of the next financial year.

7 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: Jeff Coates Date: 16/11/2015

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: 17/11/2015

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. Summary of 2015/16 Savings Progress
3. Capital Programme Performance
4. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.