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| Subject: | Targeted Budget Management (TBM) 2010/11 Month 9 | | |
| Date of Meeting: | 17 February 2011 | | |
| Report of: | Director of Finance | | |
| Contact Officer: | Name: | Jeff Coates | Tel: 29-2364 |
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| Key Decision: | Yes | Forward Plan No: CAB16791 | |
| Wards Affected: | All | | |

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report sets out the revenue and capital forecast outturn position as at month 9.

2. RECOMMENDATIONS:

- 2.1 That Cabinet notes the provisional outturn position for the General Fund.
- 2.2 That Cabinet notes the provisional outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2010/11.
- 2.3 That Cabinet approves the changes to the capital programme, as set out in appendices 2 to 6.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The table below shows the provisional outturn position for council controlled budgets within the General Fund and the outturn on NHS managed S75 Partnership Services.

| Forecast Outturn Month 6 £'000 | 2010/11 Budget Month 9 £'000 | Forecast Outturn Month 9 £'000 | Forecast Variance Month 9 £'000 | Forecast Variance Month 9 % |
|---|---------------------------------------|---|--|--------------------------------------|
| Directorate | | | | |
| 366 Adult Social Care | 38,145 | 37,915 | (230) | -0.6% |
| 538 S75 Learning Disability Services | 24,112 | 24,370 | 258 | 1.1% |
| 1,590 Children & Young People's Trust | 56,184 | 56,491 | 307 | 0.5% |
| (9) Finance & Resources | 18,400 | 18,418 | 18 | 0.1% |
| 97 Strategy & Governance | 15,012 | 15,281 | 269 | 1.8% |
| 170 Environment | 39,084 | 39,765 | 681 | 1.7% |
| (7) Housing, Culture & Enterprise | 27,975 | 27,825 | (150) | -0.5% |
| 2,745 Sub Total | 218,912 | 220,065 | 1,153 | 0.5% |
| (2,426) Centrally Managed Budgets | 4,213 | 1,347 | (2,866) | -68.0% |
| 319 Total Council Controlled Budgets | 223,125 | 221,412 | (1,713) | -0.8% |
| 409 NHS Trust managed S75 Servs | 13,434 | 14,016 | 582 | 4.3% |
| 728 Total Overall Position | 236,559 | 235,428 | (1,131) | -0.5% |

- 3.2 The Total Council Controlled Budgets line in the above table represents the total current forecast risk to 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. As detailed in Appendix 1 there is a proposal to share the Sussex Partnership Foundation Trust overspend between the Council and the Trust, if agreed the Council's contribution would be £0.248m and this would reduce the underspend on Council Controlled Budgets shown in the table above to £1.465m. The forecast outturn on the HRA is as follows:

| Forecast Outturn Month 6 £'000 | 2010/11 Budget Month 9 £'000 | Forecast Outturn Month 9 £'000 | Forecast Variance Month 9 £'000 | Variance Month 9 % |
|---|---------------------------------------|---|--|--------------------------|
| Housing Revenue Account | | | | |
| (430) Expenditure | 48,202 | 47,419 | (783) | -1.6% |
| 284 Income | (48,202) | (47,821) | 381 | 0.8% |
| (146) Total | - | (402) | (402) | |

Corporate Critical Budgets

- 3.3 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 Outturn Month 6 £'000 | | 2010/11 Budget Month 9 £'000 | Forecast Outturn Month 9 £'000 | Forecast Variance Month 9 £'000 | Forecast Variance Month 9 % |
|---|----------------------------------|---------------------------------------|---|--|--------------------------------------|
| | Corporate Critical | | | | |
| 1,347 | Child Agency & In House | 22,328 | 22,579 | 251 | 1.1% |
| 99 | Sustainable Transport | (931) | (599) | 332 | 35.7% |
| (290) | Housing Benefits | 175,500 | 175,210 | (290) | -0.2% |
| (412) | Concessionary Fares | 7,712 | 6,885 | (827) | -10.7% |
| 153 | Community Care | 22,771 | 22,386 | (385) | -1.7% |
| 538 | Section 75 Learning Disabilities | 24,112 | 24,370 | 258 | 1.1% |
| 1,435 | Total Council Controlled | 251,492 | 250,831 | (661) | -0.3% |
| 409 | S75 NHS & Community Care | 13,434 | 14,016 | 582 | 4.3% |
| 1,844 | Total Corporate Criticals | 264,926 | 264,847 | (79) | 0.0% |

Collection Fund

- 3.4 The Collection Fund position has improved due to increased collection of council tax income and it is now forecast to break even by the end of the financial year.

Value for Money Programme - Update

- 3.5 Efficiency savings (benefits realisation) from the council's six priority value for money projects for 2010/11 are fully incorporated in the above TBM forecast and Appendix 1. An update on the Value for Money Programme is included in the Budget Report being presented to this meeting.
- 3.6 Six priority areas were identified for Phase 2 of the council's Value for Money (VFM) programme with anticipated savings (gains) of circa £35 million anticipated over a 4 year period. Updates on the projects have been provided throughout the year to Cabinet. As at TBM Month 9, Phase 2 of the Value for Money Programme is expected to achieve savings of £3.575 million in 2010/11. This is a significant overachievement of £0.766 million compared with the target of £2.809 million. This will not only help the council to manage well within budget during 2010/11 but the ongoing impact of these higher savings will also contribute significantly to meeting the financial challenges inherent in the 2011/12 budget. Phase 2 of the VFM programme will contribute savings of £5.552 million to the 2011/12 budget, which is an additional £2.802 million compared to the original 4-year savings profile set out in the VFM Update report to Cabinet in July 2010.

Capital Budget 2010/11

- 3.7 This part of the report details the expected capital programme outturn for 2010/11, highlights any programme slippage, details new schemes and budget changes and seeks approval for slippage to the 2011/12 programme. Appendices 2 to 6 show in detail the proposed changes to the budget, resulting in a capital programme budget of £92.102m. These changes are summarised in Appendix 2.

Capital Overspends & Underspends

- 3.8 Where schemes are forecast to exceed their budget, budget holders must identify additional resources to finance the shortfall. Forecast overspends of greater than £0.050m 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 £0.050m or more, the budget holder will report back to Members, on the amount and the impact of the delay on service delivery.
- 3.9 The Council's overall projection is a net overspend of £0.154m on all capital schemes..The Housing Revenue Account is forecasting a net underspend of £0.018m. These variances are set out in more detail in the appendices to this report.

Capital Slippage

- 3.10 Capital slippage into next year has been included this month on the schemes identified in Appendix 5. Project managers have forecast that £3.546m of the capital budget may slip into the next financial year. Of this, £0.596m 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 £2.950m, or 3.21% of the budget. Requests to reprofile capital budgets are also included in the appendices.

Capital Receipts

- 3.11 Capital receipts are used to support the capital programme. For 2010/11 the programme is fully funded, however, 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 such as the Strategic Investment Fund, Asset Management Fund and ICT Fund.
- 3.12 Capital receipts (excluding housing) were estimated to be £1.125m for 2010/11 and to date £1.189m has been received which includes the disposal of Cedars Lodge, the final balance on Pioneer House and the deposits for American Express and Charter Hotel. This currently exceeds the expected budget by £0.064m.
- 3.13 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. The estimated useable receipts for 'right to buy' sales is £0.492m for this financial year and to date £0.297m has been received.

Comments by the Director of Finance & Resources

- 3.14 The General Fund Revenue Budget elsewhere on this agenda requires the Chief Finance Officer to consider the robustness of estimates included in the budget. This review has been undertaken based on the financial projections included within this TBM 9 report, ensuring that service pressure funding has been

incorporated into the budget, savings or mitigating actions identified to reduce the pressures or risk provisions put in place.

- 3.15 It is pleasing to note that the council has been successful in delivering a planned underspend to assist with the budget setting process for 2011/12. The actions from the value for money programme and financial recovery plans have been a major contributory factor. Recently imposed spending constraints are also having an impact.

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 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: 27/01/11

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 £9.000m to mitigate these risks as recommended by the Audit Commission and Chartered Institute of Public Finance & Accountancy (CIPFA). The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

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 £1.713m. Any end of year underspend will need to be carried forward to general reserves and will be used to support the 2011/12 budget setting process.

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.

SUPPORTING DOCUMENTATION

Appendices:

1. Directorate Revenue Outturn Forecasts
2. Capital Outturn Position
3. Summary of New Capital Schemes
4. Summary of Variations to Capital Budget
5. Summary of Capital Slippage Identified
6. summary of Capital Overspends / Underspends Identified

Documents in Members' Rooms

None

Background Documents

None