POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 161 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) Provisional Outturn 2016/17**	
Date of Meeting:		**4 May 2017**	
Report of:		**Executive Director of Finance & Resources**	
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel: 29-3104**
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Ward(s) affected:		**All**	

FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the process of closing the 2016/17 accounts and finalising the revenue outturn position had not been completed. Completion of this process is critical to provide accurate information upon which to base the provisional outturn report.

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 2016/17.

1.2 The final outturn position is subject to the annual external audit review of the council's accounts. The final position will be shown in the council's financial statements which must be signed by the Chief Finance Officer (CFO) by 30 June 2017 and the audited set approved by the Audit & Standards Committee by 30 September 2017. However, the council is trialling early closure of accounts ahead of this becoming a statutory requirement in 2017/18 and will be aiming for CFO sign off by the end of May i.e. one month earlier, with Audit & Standards Committee approval by the end of July 2017. This is the principal reason for the report not being available at an earlier time.

1.3 In summary, the council has achieved a provisional outturn underspend of £1.350m on the General Fund compared to a projected underspend of £0.538m assumed when setting the 2017/18 budget as at month 9. The provisional outturn therefore represents an improved resource position of £0.812m. The improvement relates to a small number of significant movements detailed in the report and appendices.

1.4 The provisional outturn represents an underspend of 0.7% of the General Fund net budget. The position demonstrates that the council continues to plan and manage its resources effectively and remains financially resilient in an environment of significant financial challenges, including the achievement of over

£18m savings during the year. This is important in the context of growing pressures on demand-led services, the requirement to achieve further substantial savings, and uncertainties over funding in future years, particularly concerning business rates and the longer term funding of health and social care with health partners. An outturn position within budget is also important to satisfy external scrutiny including the opinion of the external auditor on the council's financial resilience and arrangements for effective medium term financial planning.

2 RECOMMENDATIONS:

2.1 That the Committee note that the provisional General Fund outturn position is an underspend of £1.350m and that this represents an improvement in resources of £0.812m compared to the projected and planned resource position at Month 9 taken into account when setting the 2017/18 budget.

2.2 That the Committee note the provisional outturn includes an overspend of £0.600m on the council's share of the NHS managed Section 75 services.

2.3 That the Committee note the provisional outturn for the separate Housing Revenue Account (HRA), which is an underspend of £2.206m.

2.4 That the Committee note the provisional outturn position for the ring-fenced Dedicated Schools Grant, which is an underspend of £0.585m.

2.5 That the Committee approve carry forward requests totalling £2.689m as detailed in Appendix 3 and included in the provisional outturn.

2.6 That the Committee approve the transfer of Temporary accommodation budgets from Families, Children & Learning and Health & Adult Social Care to Neighbourhoods, Communities & Housing (paragraph 6.3) in accordance with Financial Regulations.

2.7 That the Committee agree that the Thompson Bequest, Royal Pavilion Renewals Fund and Brighton & Hove Natural History Society Reserve are transferred to the Royal Pavilion and Museums Foundation 'Restricted Funds' (paragraph 6.4) in accordance with Financial Regulations.

2.8 That the Committee note the provisional outturn position on the capital programme.

2.9 That the Committee approve changes to the capital programme including the variations and re-profiles requested in Appendix 5 and new schemes detailed in Appendix 6

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Change in resources since Month 9 (Budget Setting)

3.1 When setting the 2017/18 revenue budget, the one-off resources available to support the budget included the projected outturn forecast as at Month 9. At that time, the projected overspend on services was £1.862m against which there were available risk provisions of £2.400m. The net position was therefore a projected underspend of £0.538m. This projected resource was fully utilised and allocated in setting the 2017/18 budget.

3.2 In essence therefore, when considering the provisional outturn position, only the movement since month 9 is relevant. The table in paragraph 3.7 below shows that, after applying risk provisions, the provisional outturn on the General Fund is an underspend of £1.350m which is an improvement in available resources of £0.812m since the 2017/18 budget was set at month 9.

3.3 Subject to approval of the carry forward requests in this report, this means that £0.812m additional one-off resources are available compared with Month 9. However, approval of budget amendments at Budget Council required the use of £0.170m one-off resources which were agreed as a first call on any improvement to the outturn position. This therefore reduces the available additional resources to £0.642m, the allocation of which is for consideration by the Policy, Resources & Growth Committee. However, following announcement of a General Election it is proposed to defer any consideration of resources until the July 2017 meeting when early information about the 2017/18 financial position will also be available.

3.4 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

3.5 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 & Growth 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 ‘demand-led’ areas as detailed below.

General Fund Revenue Budget Performance (Appendix 1)

3.6 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.

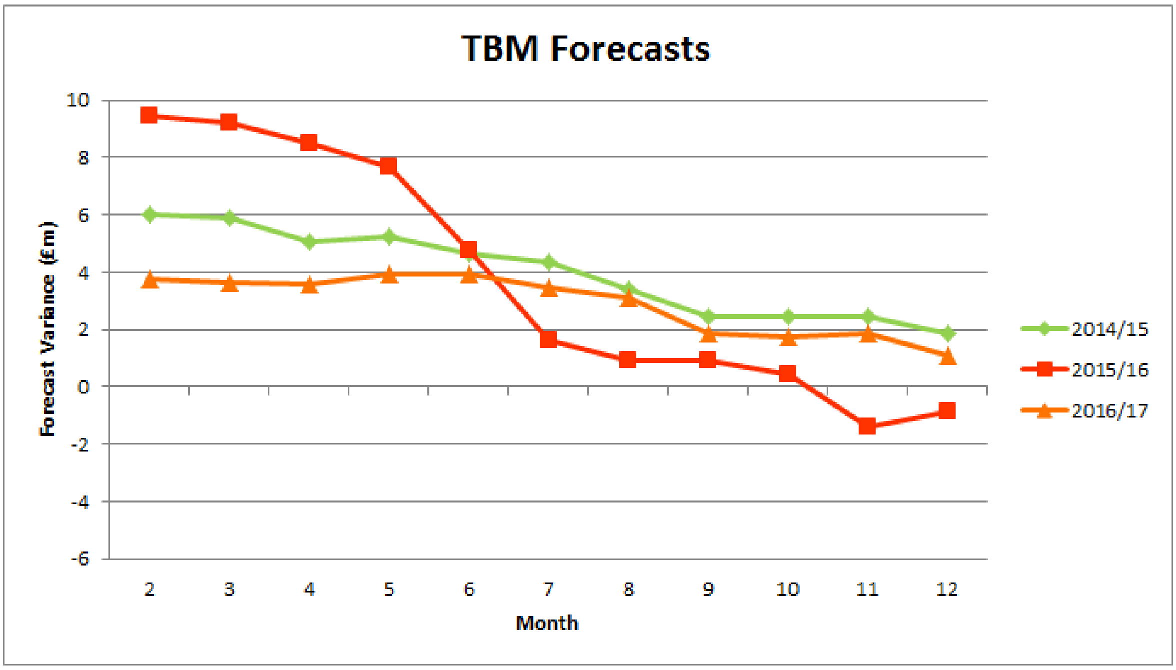
3.7 The General Fund includes general council services, corporate budgets and central support services. Corporate budgets include centrally held provisions and budgets (e.g. insurance). Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note 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).

2016/17 Month 9 Variance £'000	Directorate	2016/17 Budget Month 12 £'000	Actual Outturn Month 12 £'000	Actual Variance Month 12 £'000	Actual Variance Month 12 %
3,721	Families, Children & Learning	79,307	83,252	3,945	5.0%
1,192	Health & Adult Social Care	49,800	51,154	1,354	2.7%
(1,318)	Economy, Environment & Culture	22,674	20,789	(1,885)	-8.3%
763	Neighbourhood, Communities & Housing	10,966	11,690	724	6.6%
(617)	Finance & Resources	20,633	19,754	(879)	-4.3%
(85)	Strategy, Governance & Law	5,911	5,611	(300)	-5.1%
3,656	Sub Total	189,291	192,250	2,959	1.6%
(1,794)	Corporate Budgets	9,046	4,737	(4,309)	-47.6%
1,862 *	Total General Fund	198,337	196,987	(1,350)	-0.7%

** Position before application of £2.400m available risk provisions.*

3.8 Note, at Month 9 available risk provisions of £2.400m had not been released. Therefore, as discussed above, the comparable position at Month 9, including available risk provisions, was a forecast underspend of £0.538m. The provisional outturn underspend of £1.350m therefore represents an improvement of £0.812m on the month 9 position. The large 'Corporate Budgets' underspend in the table above at Month 12 includes the release of the aforementioned risk provisions of £2.400m. Further details of the Corporate Budgets outturn are provided in Appendices 1 and 2.

3.9 The chart below shows the monthly forecast variances for 2016/17 and the previous two years for comparative purposes. To ensure a like for like comparison of the underlying position, the data for the three years excludes the allocation of risk provisions and the one-off Minimum Revenue Provision adjustment of £2.328m in 2015/16.

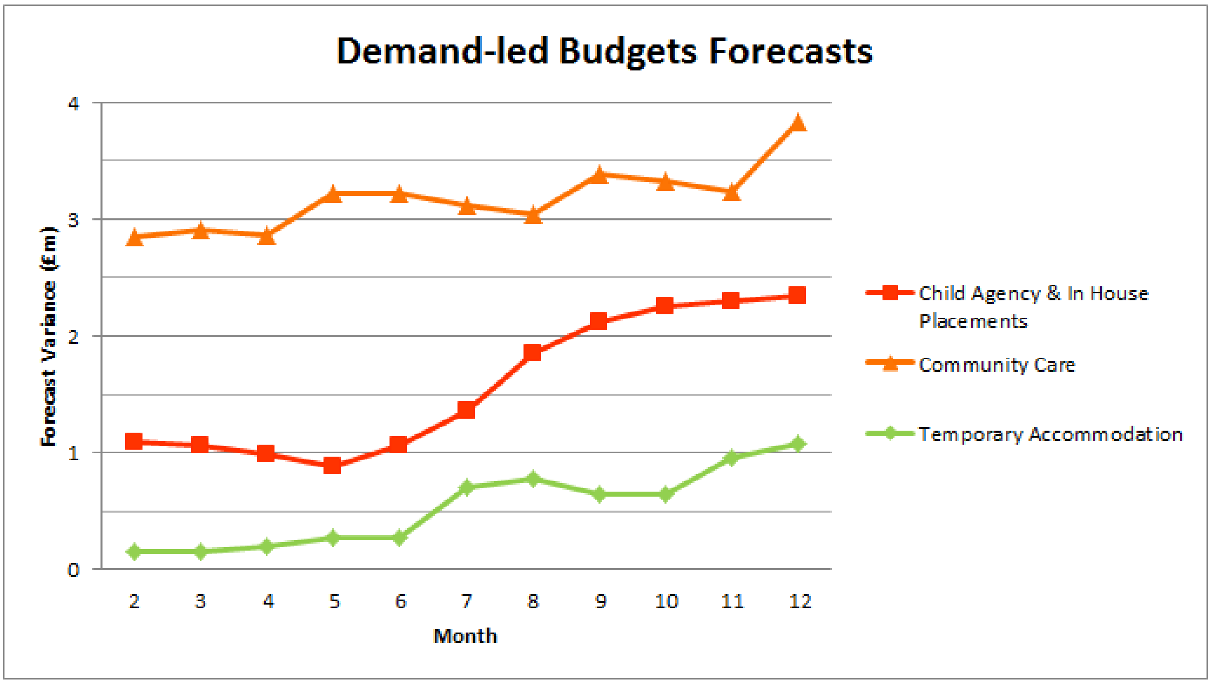


Demand-led Budgets

3.10 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.

2016/17 Month 9 Variance £'000	Demand-led Budget	2016/17 Budget Month 12 £'000	Actual Outturn Month 12 £'000	Actual Variance Month 12 £'000	Actual Variance Month 12 %
2,112	Child Agency & In House Placements	19,556	21,902	2,346	12.0%
3,383	Community Care	48,930	52,754	3,824	7.8%
650	Temporary Accommodation	1,544	2,617	1,073	69.5%
6,145	Total Demand-led Budget	70,030	77,273	7,243	10.3%

3.11 At this stage of the year it is important to monitor underlying trends in the context of the 2017/18 budget for which £14.870m service pressure funding for demand-led budgets was provided, reflecting the pressures on these budgets indicated above. The chart below shows the monthly forecast variances on the demand-led budgets for 2016/17. The large movement in Community Care (Adult Social Care) placements in the final month is due to a reduction in the budget which reflects a reduction in CCG contributions detailed below.



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:

3.12 **Children's Services:** The initial forecast budget risk across Families, Children & Learning was £2.534m primarily resulting from increased demand pressures on services for Children in Care and social work cost pressures continuing through from last year. Subsequently, the directorate put together a financial recovery plan to address the financial risks. This recovery plan identified £1.535m of potential cost reductions to improve the forecast position which would have given an outturn of £0.999m. During the year, the outturn forecast has reflected significant financial pressures on services for Children in Care and social work as well as risks in the Home to School Transport budget that have been closely monitored. In addition, the transfer of services for Adults with Learning Disabilities from the Health & Adult Social Care Directorate added £2.421m to the overspend.

The final position shows cost pressures of £2.421m on services for adults with learning disabilities, £0.233m on social work staffing and £2.451m on Children's placement budgets. Together with an overspend of £0.310m on Home to School transport, offset by other underspending budgets of £1.470m, this explains the outturn position of £3.945m as at Month 12. The trend on placements can be clearly seen in the graph above and is continuing upward. This is reflected in the service pressure funding provided in the 2017/18 budget.

3.13 **Adults Services:** The service faced significant financial challenges in 2016/17 in mitigating the risks arising from the sustained pressures in 2015/16 and managing in-year demands. This is alongside delivering a significant budget savings programme and developing integration plans through the Better Care Fund.

- The outturn is an overspend of £1.354m after identifying recovery measures which have helped to contain the risk. The recovery measures focused on attempting to manage demands on and costs of community care placements across Assessment Services and making the most efficient use of available funds. The overspend position includes the following main elements that are described in more detail in Appendices 1 and 2.

- The main area of spend relates to service pressures identified at the beginning of the year (and highlighted in the General Fund Revenue Budget report as noted above) which relate to increased complexity of need, increasing numbers of older people being discharged from hospital requiring social care services for the first time, pressures on the provider services' budget and Deprivation of Liberty Safeguards (DoLS) cases.

- The outturn includes the part-year effect of the approved increase in care home fees. In order to manage the local market and address the significant under-supply of providers in the city who will accept publicly funded residents, fee increases were essential.

- The approved budget savings for 2016/17 were £4.352m, all of which were fully achieved.

- Service pressure funding of over £3m, including the Adult Social Care precept, has been applied in 2016/17 and used to fund budget pressures resulting from the increased demands and complexity, DoLS, the national living wage and fee rates.

- Since Month 9 there has been an additional pressure of £0.550m in 2016/17 due to a reduction in CCG funding resulting from severe pressures on health commissioning budgets. The funding for future years is also currently subject to review and agreement with the CCG, particularly in relation the CCG's financial resources and the additional Adult Social Care resources which must be managed through the Better Care Fund and will be subject to joint agreement.

In general, the funding of all care packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet people's aspirations. This forms a key part of the savings implementation plan. Adult Services are also continuing to use benchmarking and research analysis to support the driving down of unit costs but are faced with increased complexity and demand (demographic) growth which is also a nationally understood picture. Through regional and other social care networks the service has been looking at best practice in delivering cost effective services in order to influence future direction - this includes demand management strategies and identifying opportunities through Housing provision.

3.14 **Housing Services and Temporary Accommodation:** Although the council is accepting a full housing duty for a similar level of households as previously (around 420 per annum), the actual numbers of households in temporary accommodation is increasing because there are limited opportunities to move these households out of temporary accommodation into other alternative longer term forms of accommodation. This is due to a mixture of shortage of supply, unaffordable rents in the private sector and policy changes within ASC commissioning affecting the allocation of supported beds. Given the high cost housing market and welfare reforms, prevention of homelessness has been challenging but has been successful in preventing demand for temporary accommodation increasing further (i.e. the level of homeless acceptances has been maintained).

The service has completed a large decant programme of approximately 180 leased units of temporary accommodation with one provider during 2015/16 and 2016/17. In addition, the level of general handbacks is high due to a high cost housing market which is leading landlords to sell. This has a significant impact as:

- reprovision to replace lost units means that additional growth of leased properties is at a standstill and so new demand can only be absorbed by expensive spot purchase;
- Reprovision is at an increased cost as the housing market is now more expensive;
- There are costs associated with the handback of a large number of units which include dilapidation and void costs;
- Some units of provision were diverted to Adult Social Care to assist with an emergency situation.

The service has overspent by £1.062m, (of which £0.335m relates to the managed risk identified at 2016/17 budget setting) and takes account of the use of a one-off contingency sum of £0.100m, one-off specific temporary accommodation reserves of £0.200m and includes underspends of £0.171m across the wider homelessness service as identified in the financial recovery plan through the year. The costs of temporary accommodation increased compared to the forecast at month 9 by £0.412m as a result of more time being needed to fully embed the new allocation policy agreed in December 2016.There were also many properties handed back in the last few months of the year with the associated void and repairs costs.

As part of the 2017/18 budget setting process the service has received net service pressure funding of £0.543m. Housing has also been awarded government funding of £1.3m (over two years) for homelessness prevention trailblazing work. This will enable the council and other public bodies to work with households before they become homeless and help to embed a highly skilled homeless prevention service at the council. The aim is to reduce the number of households requiring temporary accommodation over a two year period and to use the money saved to fund this prevention and incentive work for the longer term, keeping the numbers of households who become homeless to a minimum.

Carry Forward Requests (Appendix 3)

3.15 Under the council's Financial Regulations, 'the Director of Finance[1] 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'. Given the council's challenging financial position, 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. Under this Financial Regulation, a total of £0.138m has been agreed for four service areas to ensure planned commitments can be met in 2017/18.

3.16 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 £2.689m and have been assumed in the outturn figures above. The principles outlined in paragraph 3.15 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 £0.872m. 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 £1.817m. 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 £1.817m, a sum of £0.585m 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.

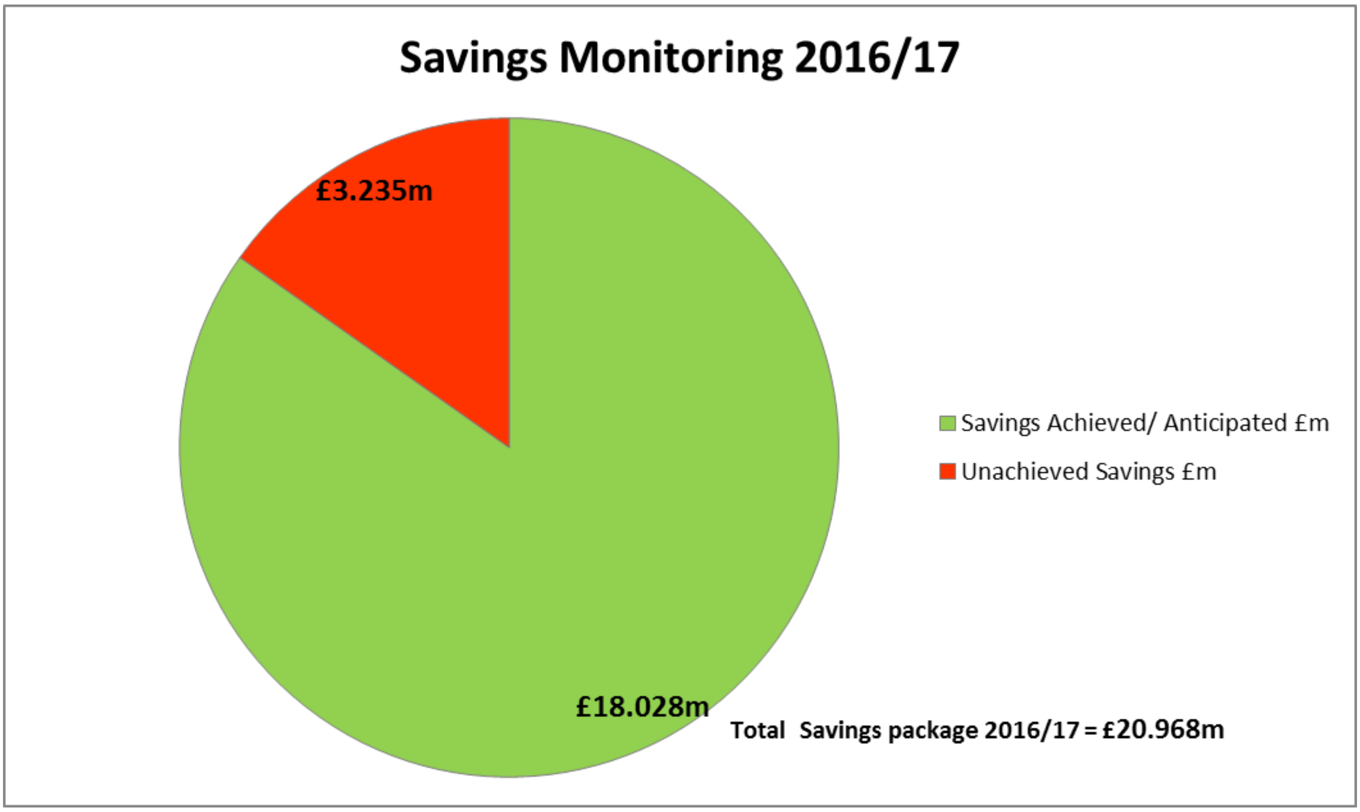
Monitoring Savings

3.17 The savings package approved by full Council to support the revenue budget position in 2016/17 was £20.968m. This is a very large savings package and follows 5 years of substantial packages totalling nearly £98m. Achievement of savings programmes and actions in 2016/17 has been reported throughout the year to ensure effective oversight and, so far as possible, to avoid adding to financial pressures in future years through non-achievement.

3.18 Appendix 2 incorporates the impact of under or over-achieved savings within each directorate. Appendix 4 summarises the position across all directorates and presents the entire savings programme. The chart below provides a summary of the position as at Month 12. This shows that a substantial element of the savings

[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

programme of £20.968m for 2016/17 was achieved but with £3.235m not achievable. The majority of unachieved savings are within the Families, Children & Learning directorate as detailed in Appendix 2 and were taken into account in considering the potential ongoing impact on the 2017/18 budget.



Note: Savings achieved/anticipated includes an overachievement of savings of £0.295m.

Housing Revenue Account Performance (Appendix 2)

3.19 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 £2.206m and more details are provided in Appendix 2.

Dedicated Schools Grant Performance (Appendix 2)

3.20 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 £0.585m and more details are provided in Appendix 2. 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 2)

3.21 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 include health and social care services for Adult Mental Health and Memory and Cognitive Support Services.

3.22 This partnership is 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 partnership is included within the forecast outturn for the Health & Adult Social Care directorate. The council's forecast contribution to the risk share for 2016/17 is currently £0.600m and more details are provided in Appendix 2.

Capital Programme Performance and Changes

3.23 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 & Growth Committee.

3.24 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £0.678 m which is detailed in Appendix 5.

Forecast Variance Month 9 £'000	**Capital Budgets**	2016/17 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Families Children & Learning	8,441	8,445	4	0.0%
0	Health & Adult Social Care	314	348	34	10.8%
(85)	Economy Environment & Culture	33,917	33,987	70	0.2%
184	Neighbourhood Comm's & Housing	4,287	4,287	0	0.0%
(759)	Housing Revenue Account	46,357	45,577	(780)	-1.7%
(6)	Finance & Resources	1,545	1,539	(6)	-0.4%
0	Strategy Governance & Law	0	0	0	0.0%
0	Corporate Services	0	0	0	0.0%
(666)	Total Capital	94,861	94,183	(678)	-0.7%

3.25 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 & Growth 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 **Summary**	2016/17 Budget £'000
Budget Approved at TBM Month 9	102,414
Reported at other Policy, Resources & Growth Committee meetings since Month 9	0
IFRS Changes (to be noted)	(651)
Variations (to be approved - see Appendix 5)	1,694
Reprofiles (to be approved - see Appendix 5)	(4,834)
Slippage	(3,762)
Total Capital Budget at Outturn	94,861

3.26 Appendix 5 also details any slippage into next year. In total, project managers have forecast that £3.762m of the capital budget may slip into the next financial year and this equates to 3.96% of the capital budget.

Implications for the Medium Term Financial Strategy (MTFS)

3.27 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 & Growth 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

3.28 Capital receipts are used to support the capital investment programme. For 2016/17 a total of £4.282m capital receipts (excluding 'right to buy' sales) have been received in relation to the disposals of 251& 253 Preston Road; 11 Little East Street; 28 York Place; a lease extension at Hartington Road; land at Park Wall Farm, Falmer; plus some minor lease extensions at the Marina; and the sale of Lions Court with the capital receipt ring-fenced for investment into the housing capital programme

3.29 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 2016/17 is £5.111m including £4.611m available for replacement homes.

3.30 A total of £1.339m receipts from the housing Local Delivery Vehicle (LDV) have been received in 2016/17. This is the last batch of receipts associated with this project. The net receipts are ring-fenced to support investment in council owned homes.

Collection Fund Performance

3.31 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.

3.32 The collection fund for council tax at 31st March 2017 has a surplus of £1.794m which is an improvement of £1.029m (council share = £0.882 m) from the forecast surplus of £0.765m in January. The improved surplus arose from a reduced bad debt provision due to better than anticipated arrears collection and lower than anticipated exemption costs for students and severely mentally impaired (SMI).

3.33 The collection fund for business rates at 31st March 2017 has a deficit of £3.543m which is an increase of £0.106m (council share £0.052m) from the forecast deficit of £3.437m in January. The increased deficit was mainly from higher than anticipated appeals lodged at the end of the year.

3.34 The council's share of the combined net surplus across both collection funds that has not been factored into the 2017/18 budget is £0.830m and this will therefore be included in the budget forecast for 2018/19.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The provisional outturn position on council controlled budgets is an underspend of £1.350m including the council's risk-share of the provisional overspend on NHS managed Section 75 services of £0.600m. 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 of £0.642m that can be used to aid budget management and planning for 2017/18 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 £0.812m compared with the position assumed for the purposes of the 2017/18 Revenue Budget report to Policy, Resources & Growth Committee and Budget Council in February 2017. This reduces to £0.642m after accounting for the resources needed to support approved budget amendments. This indicates a favourable position for the financial year brought about primarily due to improved permit and parking income, an increased Housing Benefit subsidy and continued vacancy savings in some areas. These were partially offset by a reduction in CCG funding contributions due to growing pressures on health commissioning budgets.

6.2 Managing within budget is important given current potential financial risks concerning demand-led budgets, particularly social care, and the need to achieve further substantial savings in future years, including £21m in 2017/18. This also demonstrates effective financial management and resilience in order to satisfy external scrutiny by partners, external auditors and other stakeholders.

Other Approvals under Financial Regulations

6.3 Following a review of the business processes in relation to Temporary Accommodation (TA), a budget transfer is requested to combine the temporary accommodation budgets in Families, Children & Learning (FC&L) and Health & Adult Social Care (HASC) Directorates with the main TA budget in Neighbourhoods, Communities & Housing. This will require a budget transfer of £0.300m from HASC and £0.270m from FC&L and will ensure that for 2017/18 the budget responsibility for this area will align with the revised organisational structure and officer delegations approved by Policy, Resources & Growth Committee on 28 April 2016.

6.4 On a separate matter, the Committee are asked to consider the transfer of funds held in the Thompson Bequest and the Pavilion Renewals fund to the Royal Pavilion and Museums Foundation 'Restricted Funds' earmarked reserve. The Thompson Bequest currently has a balance of £0.229m and will be restricted to use by Hove Museum for acquisitions and/or the care of its collections under terms outlined by the Art Fund in accordance with the terms of the bequest. The Royal Pavilion Renewals Fund currently has a balance of £0.090m and is now mainly made up from income received from the ice rink and (in accordance with English Heritage's conditions) used to fund projects or improvements within the Pavilion or Garden. The transfer will allow the merger of funds into a single fund that more accurately reflects their current purpose and usage. The Brighton & Hove Natural History Society Reserve currently has a balance of £0.011m and is held for the specific purpose to maintain the assets of the Brighton & Hove Natural History Society which are held at the Booth Museum. The transfer of funds will be subject to formal approval from the Royal Pavilion and Museums Foundation.

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 Executive Leadership Team and 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: 02/05/2017

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. In relation to the proposals to transfer funds to the Royal Pavilion and Museums Foundation, the necessary consent has been sought and received from the Arts Fund in relation to the Thompson Bequest on the basis that the funds continue to be held by the Foundation in a restricted fund for the benefit of Hove Museum.

Lawyer Consulted: Elizabeth Culbert Date: 1st May 2017

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 2016/17.

Risk and Opportunity Management Implications:

7.5 In 2016/17 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 2016/17 Savings Progress
5. Capital Programme Performance
6. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.