AUDIT COMMITTEE	Agenda Item 12 Brighton & Hove City Council

THIS ITEM WAS CONSIDERED AT THE 11 JUNE 2009 MEETING OF CABINET

Subject:		***Targeted Budget Management (TBM) Provisional Outturn 2008/09***		
Date of Meeting:		**11 June 2009**		
Report of:		***Interim Director of Finance & Resources***		
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel:**	**29-3104**
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Key Decision:	**Yes**	**Forward Plan No: CAB10181**		
Wards Affected:	**All**			

FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the completion of the report was dependent on finalising the closure of the council's accounts which, although concluded in accordance with the timetable agreed with external auditors, was too late to meet the standard publication deadline.

1. SUMMARY AND POLICY CONTEXT:

1.1 This report sets out the provisional outturn position (Month 12) on the revenue and capital budgets for the financial year 2008/09.

1.2 The council has delivered services well within its overall budget by taking appropriate measures to manage in-year risks and pressures, including significant unavoidable pressures on the council tax collection fund, energy costs and adult social care budgets.

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

2. RECOMMENDATIONS:

2.1 That the Cabinet note the significantly improved provisional outturn position for the General Fund, which is now forecasting an underspend of £2.441 million.

2.2 That the Cabinet note the provisional outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2008/09.

2.3 That the Cabinet approve the budget changes and future commitments set out in paragraph 3.5.

2.4 That the Cabinet note the provisional outturn position on the capital programme.

2.5 That the Cabinet approve the following changes to the capital programme:
(i) The budget reprofiling as set out in Appendix 2;
(ii) The carry forward of slippage of £2.578 million into the 2009/10 capital programme, to meet on-going commitments on these schemes as set out in Appendix 3;
(iii) The new schemes as set out in Appendix 4.

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.

3.2 The provisional outturn shows that the council is managing within its available resources despite significant in-year pressures relating to the council tax collection fund, energy costs, sustainable transport and Adult Social Care placements. A number of directorate budgets were under pressure during the year but the forecast position has improved significantly since month 9, reflecting recovery actions and spending constraints, and directorate budgets overall have achieved a small underspend. The council's overall position is supported by significant underspends on Centrally Managed Budgets including savings on Insurance Contracts, lower than expected costs of the concessionary fares scheme, which have improved even further since Month 9, and good investment performance on the council's cash balances despite falling interest rates. More detailed explanation of the variances below can be found in Appendix 1.

Forecast Variance Month 9 £'000	Directorate	2008/09 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
540	Adult Social Care & Housing	42,606	43,098	492	1.2%
247	S75 Learning Disability Services	22,761	22,780	19	0.1%
(1,246)	Children & Young People's Trust	50,502	49,194	(1,308)	-2.6%
(77)	Finance & Resources	16,328	15,889	(439)	-2.7%
(12)	Strategy & Governance	11,249	11,350	101	0.9%
216	Environment	35,212	35,821	609	1.7%
157	Cultural Services	12,969	13,175	206	1.6%
(175)	Sub Total	191,627	191,307	(320)	-0.2%
1,445	Collection Fund *	-	1,445	1,445	0.0%
(3,403)	Centrally Managed Budgets	8,854	3,636	(5,218)	-58.9%
(2,133)	Total Council Controlled Budgets	200,481	196,388	(4,093)	-2.0%
486	NHS Trust managed S75 Services	14,291	14,296	5	0.0%
(1,647)	Total Overall Position	214,772	210,684	(4,088)	-1.9%
1,647	Contribution to reserves as per approved revenue budget	-	1,647	1,647	
0	Provisional Outturn	214,772	212,331	(2,441)	

* See corporate critical budgets section for details

3.3 The Total Council Controlled Budgets line in the above table represents the total current forecast in respect of the council's General Fund. This includes all directorate budgets, centrally managed budgets and council-managed Section 75 services. The NHS Trust-managed Section 75 Services line represents those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Trust and South Downs Health Trust and include health and social care services for Adult Mental Health, Older People Mental Health, Substance Misuse, AIDS/HIV, Intermediate Care and Community Equipment. The provisional outturn shows that a small variance of £0.005 million was achieved after accounting for the risk sharing contribution of £0.300 million agreed with the Primary Care Trust and Sussex Partnership Trust.

3.4 The overall forecast underspend at Month 9 (£1.647 million) was taken into consideration in setting the 2009/10 budget and council tax. The budget approved by Full Council required this underspend to be earmarked to cover projected investment income losses over the next 3 years due to falling interest rates. The table above therefore compares the final outturn position after this contribution to reserves has been accounted for. This shows the net movement from Month 9 to be an improvement of £2.441 million. The main reasons for this movement are detailed in Appendix 1.

3.5 The increased underspend enables consideration of further prudent financial decisions and other allocations based on current economic conditions and/or business needs. The following allocations are proposed in this respect:

3.5.1 **Carry Forward Requests**

Carry forward requests of over £0.050 million per Assistant Director require approval by Cabinet. Carry forwards are normally only permitted where there is a clear justification setting out the reasons for expenditure being delayed to the next financial year and demonstrating that the associated funding remains available (e.g. grants). Carry forwards are also subject to both the relevant directorate and the council overall being in a break-even position or better. Two carry forward proposals relating to grants exceed this limit including carry forwards for Schools Development and Learning & Schools (£0.078 million) and the Carers Grant (£0.100 million). Details of these carry forwards are included in Appendix 1 under CYPT and Adult Social Care & Housing respectively.

A carry forward of £0.100 million is also requested from Finance & Resources. This budget was to be used to provide support to develop the Customer Access Vision. However, during spring 2009 a more integrated programme has been developed as part of a continuing approach to value for money which will include the customer experience, business processes, workstyles and accommodation. Therefore, it is proposed to add this carry forward to the VFM Initiatives Fund.

3.5.2 **Financing costs (loss of investment income)**

Recent Bank of England statements and projections indicate that interest rates will remain lower for longer than originally estimated when setting the 2009/10 budget and medium term financial strategy. It is proposed that a further £0.250 million be added to General Reserves to further smooth out investment losses over the 3 year period.

3.5.3 **Corporate Accommodation Strategy**
The council occupies a number of large civic buildings which are currently being reviewed in relation to the Corporate Accommodation Strategy. The lease expires on Priory House in 2009/10 and this will require the council to make good the property under the terms of the lease (known as “dilapidations”). This is expected to require an additional £0.250 million which it is proposed to add to the existing earmarked reserve of £0.150 million. It is further proposed to earmark £0.250 million to an Accommodation Strategy Reserve to meet other anticipated one-off and invest-to-save costs in support of the Corporate Accommodation Strategy.

3.5.4 **The Bridge**
The Bridge is a community education centre based in Moulsecoomb that offers a range of services including one-to-one counselling, health and substance abuse work and advice to the hardest to reach individuals within the communities of Moulsecoomb, Bevendean, Coldean and Bates Estates, as well as attracting learners from further afield. Each term the Bridge provides approximately 50 courses for those aged 16+, either free or at low cost, with 1000 enrolments annually. The courses are delivered at the bridge through existing partners including the City, Varndean and Sussex Downs Colleges, Friends Centre and the universities.

To secure its long term future, the Bridge must develop partnerships that can provide on-going revenue. Most of the potential partnerships that can be developed pay in arrears and are based on outcomes and will require further development work if they are to be fully realised. The Bridge does not have the capacity to properly develop these partnerships and since the cessation of the New Deal for Communities funding stream, neither does it have the funds to recruit to increase capacity. To avoid redundancies in 2009 and to enable an increase in capacity to develop the long term partnership working necessary for its future viability, it is proposed to allocate £0.050 million to secure the Bridge’s activities to August 2009 and enable additional work to be undertaken to secure its long term funding.

3.5.6 **Building Schools for the Future**
Building Schools for the Future (BSF) is a major schools investment programme that complements the Academies and Primary School Capital programmes. The council has been advised that it may be able to enter wave 7 of the programme provided it can demonstrate its “Readiness to Deliver”. Successful entry to the programme would provide access to capital funding of up to £200 million for the City’s secondary schools in addition to £28 million already secured for a new Falmer Academy under the academy programme.

The draft BSF Readiness to Deliver submission will be considered by the Cabinet in July and in order to succeed must clearly demonstrate that the council has identified necessary project resources and funding. Project funding and resource requirements will be set out in detail in the submission but essentially there is a requirement to fund project costs of approximately 3% of the total programme, or £5 million. Funding of £2.25 million has already been identified from existing capital funding streams leaving £2.75 million to be found. Given the significant underspending achieved by the CYPT, it is proposed to allocated £1.5 million of the 2008/09 outturn underspend to the BSF programme. Further, the outturn underspend on concessionary fares is expected to generate ongoing savings of at least £0.750 million (see Appendix 1) and it is proposed to allocate £0.700 million to the BSF programme in 2009/10 conditional on the overall financial outturn in 2009/10 being on target. A further £0.550 million will be required in 2010/11 which will need to be funded from available reserves and identified in the Medium Term Financial Strategy.

The BSF programme will potentially result in a number of contracts and/or partnerships, for example a Local Education Partnership (LEP), which will require the local authority to provide an equity stake. These are repayable at the end of the contract/partnership which can range from 10 to 25 years. The anticipated equity stakes are expected to total £0.500 million and will need to be identified in the 2012/13 Medium Term Financial Strategy. Other financial implications will be identified as the programme develops, if the council is successful, including:

- CYPT/Schools capital funding support for the programme;
- Contract management arrangements and associated costs;
- Revenue implications of Facilities Management PFI contracts;
- Schools contributions to the ICT managed service provider.

3.5.7 **Royal Pavilion**

Royal Pavilion stoneworks have been planned over a number of years and phases. The Stonework for phases 1 and 2 had been funded by a combination of the Planned Maintenance Budget (PMB) and the Asset Management Fund however these sources could not support the future requirement for phases 3 to 7 totalling £1.736 million at that time. It was therefore decided that these phases, which run up to 2010/11, would be funded from unsupported borrowing and the borrowing costs would be met from the PMB. The borrowing costs would be paid over 25 years and budget would be permanently removed from the PMB to cover these costs. Over time the extent of the works and the costs have been revised upward and the latest cost estimates to complete the works in 2009/10 require a further £0.600 million to enable works to continue. It is therefore proposed to allocate £0.050 million from anticipated underspending on concessionary fares to fund the borrowing costs of an additional £0.600 million for the 2009/10 stoneworks programme.

3.5.8 **General Fund Contingency**

If approved, the above allocations, together with contributions to reserves approved in the 2009/10 Revenue Budget, will leave £0.141 million unallocated which it is proposed to add to the General Fund Contingency to offset increased risks in relation to economic conditions (e.g. parking), pandemic flu, and children's services (Laming recommendations).

3.6 The forecast outturn on the HRA is as follows:

Forecast Variance Month 9 £'000	Housing Revenue Account	2008/09 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
(285)	Expenditure	47,000	46,529	(471)	-1.0%
(88)	Income	(46,751)	(46,724)	27	0.1%
(373)	Total	249	(195)	(444)	

Detailed analysis of the HRA provisional outturn is also provided in Appendix 1 and in the HRA 2008/09 Outturn report.

Corporate Critical Budgets

3.7 Targeted Budget Management (TBM) is based on the principles that effective financial monitoring of all budgets is important. However, there are a small number of budgets with the potential to have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict with certainty and where relatively small changes in demand can have significant financial implications for the council's budget strategy. These therefore undergo more frequent, timely and detailed analysis. Set out below is the forecast outturn position on the corporate critical budgets.

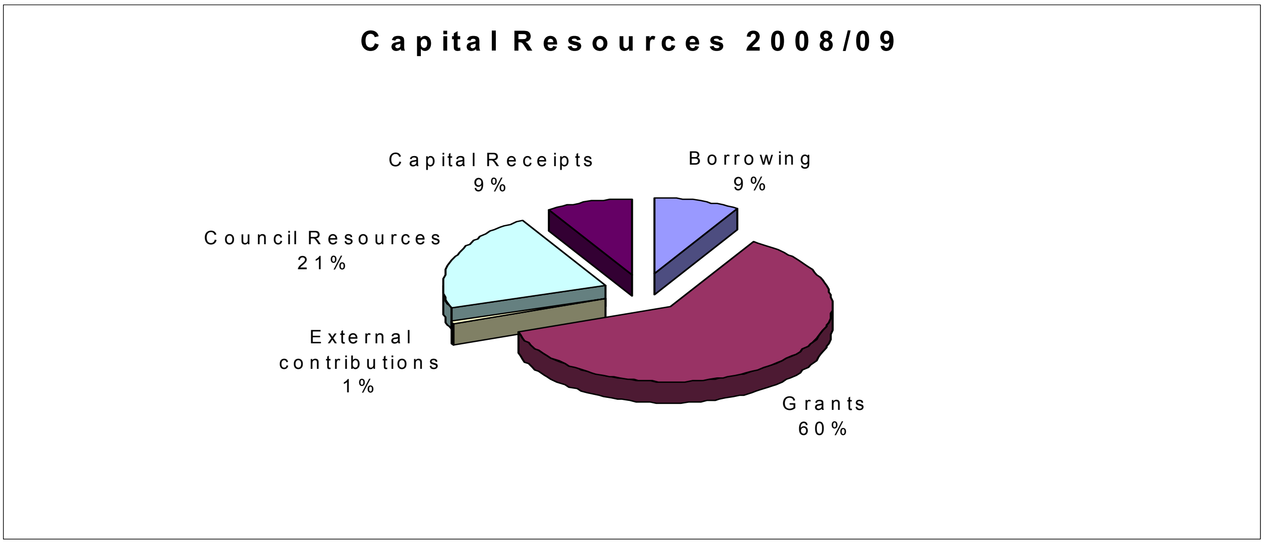
Forecast Variance Month 9 £'000	Corporate Critical Budgets	2008/09 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
(972)	Child Agency & In House	17,150	15,968	(1,182)	-6.9%
184	Sustainable Transport	(446)	(59)	387	86.8%
(560)	Housing Benefits	154,396	153,786	(610)	-0.4%
600	Land Charges Income	(957)	(398)	559	58.4%
(1,933)	Concessionary Fares	9,158	5,757	(3,401)	-37.1%
871	Community Care	22,072	22,865	793	3.6%
247	Section 75 Learning Disabilities	19,358	19,248	(110)	-0.6%
1,445	Collection Fund *	-	1,445	1,445	0.0%
(118)	Total Council Controlled	220,731	218,612	(2,119)	-1.0%
486	S75 NHS & Community Care	14,291	14,296	5	0.0%
368	Total Corporate Criticals	235,022	232,908	(2,114	-0.9%

*Note: This does not reflect the actual performance (deficit) on the Collection Fund, but is the planned contribution to reserves approved in the Revenue Budget 2009/10 by Full Council toward the anticipated deficit in 2008/09. Actual performance on the Collection Fund, which achieved a lower than expected deficit of £0.161 million, will therefore be reflected in the budget and council tax setting process for 2010/11.

Capital Budget 2008/09

3.8 This part of the report provides Members with details of the capital programme provisional outturn for 2008/09, which highlights any programme slippage and budget changes and seeks approval for carry forwards (re-profiling) to the 2009/10 programme.

3.9 The following pie chart shows the resources that have been utilised to fund the outturn.



Capital Forecast Outturn

3.10 As stated above, changes are proposed to the capital programme in the form of budget re-profile requests. These are detailed in Appendix 2. A summary of the proposed changes are shown in the table below.

Directorate	2008/09 Budget £000	Budget Reprofiles £000	Amended Budget £000	2008/09 Outturn £000	2008/09 Slippage £000	2008/09 (Savings) / Overspends £000
Strategy & Governance	110		110	117	(7)	-
Cultural Services	1,478	(161)	1,317	1,011	306	-
Finance & Resources	5,759	(187)	5,572	5,376	195	(1)
Adult Social Care & Housing	8,969	(207)	8,762	8,645	117	-
Housing Revenue Account (HRA)	14,728		14,728	14,541	283	96
Children & Young People's Trust	9,853		9,853	8,839	1,014	-
Environment	18,026	(2,995)	15,031	14,361	670	-
Total Capital Programme	58,923	(3,550)	55,373	52,890	2,578	95

The table shows that, excluding HRA schemes, the General Fund achieved a minor variance on a capital programme of nearly £53 million. A small overspend variance of £0.96 million (less than 1%) was also achieved on the HRA capital programme which will be funded from revenue underspending as detailed in paragraph 3.14 below. Given the many factors that can affect capital programme costs, the achievement of these small variances indicates that sound financial controls and monitoring are in place.

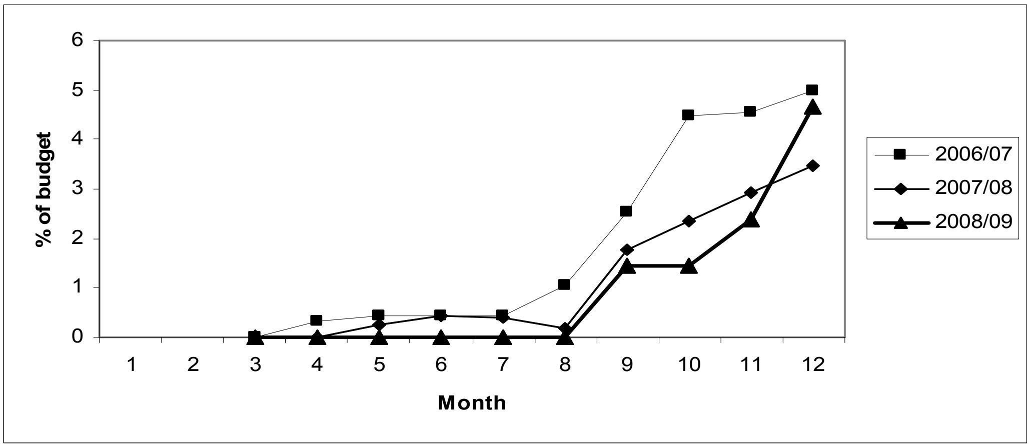
Budget Re-profiling

3.11 Re-profiling of a capital scheme may be required where delays have been identified due to factors outside of project managers' control. Re-profiling requests are summarised in the table above and Appendix 2 provide details of the reasons. The Cabinet are requested to agree to the re-profiling of capital budgets, which in most cases will result in the resources being moved from this year's capital programme to the next. Re-profiling requests do not result in any loss of resources to the council.

Capital Slippage

3.12 Project managers have identified that the net slippage on the capital programme amounts to £2.578 million, or 4.66% of the budget, as summarised in the table above. Appendix 3 details the significant projects that are included in the slippage. The graph below shows the trend over the last 3 years. Generally, the graph shows that capital programmes tend to start slipping during the winter period partly due to construction delays during periods of bad weather. Although most programmes will make some estimate for weather delays, Winter 2009 was harsher than expected. Forecast slippage also increases in the latter stages of the year where, for example, project managers will take a more prudent view of the likelihood of resolving ongoing contractual and other issues before the year-end. Late increases in slippage related to a number of ICT projects (for example, the new intranet) which it was hoped would complete by March 2009 but which for various technical reasons were ultimately delayed. Slippage on Devolved Schools capital budgets also increased late in the year by £0.433 million, however, the council has no control over these budgets which are managed by school governing bodies. The Civitias scheme, a grant funded scheme to improve sustainable transport safety and energy efficiency, also started a month late and slippage on this scheme increased significantly toward the end of the year. However, the level of slippage remains below the 5% target, which is a low level of slippage given the many and varied factors affecting capital programme completion. The slippage identified will not result in any loss or diminution of current or future resources to the council.

Slippage as a percentage of the amended budget over the last three years



Housing Revenue Account Capital Programme

3.13 The HRA Capital Programme Budget was increased during the last month of the year as some schemes accelerated their programmes by drawing funding either from previously re-profiled budgets or where funding was split over two years (this amounted to £1.644 million in total). The budgets in 2009/10 will be adjusted to reflect this. Slippage totaling £0.283 million represents 1.9% of the final budget for 2008/09, with the majority of the spend expected to be in early 2009/10. There is a small net overspend of £0.096 million which can be funded from an additional revenue contribution to capital, as reported in the HRA 2008/09 revenue outturn report. This resulted from an increase in the amount of work carried out for external repairs and damp proofing to properties through the minor works programme, as well as additional expenditure on lifts. Appendix 3 shows the significant project variances relating to slippage and the forecast overspend.

Comments by the Director of Finance & Resources

3.14 The provisional outturn position on the revenue budget shows a significantly improved position since month 9. The council has managed within budget despite significant financial pressures, particularly in the early part of the year. Strong financial management and controls have been a major contributing factor alongside the effective management of investments, borrowing and risk within the current economic climate.

3.15 Given the potential pressures in 2009/10 and beyond, including Single Status, energy costs and the impact of demographic changes and the economic climate, directorates will need to maintain control and downward pressure on costs and continually seek value for money improvements. Financial recovery plans will be prepared for the ongoing consequences of the outturn for 2008/09 in 2009/10 and reported in the Target Budget Management report for month 2 at Cabinet in July.

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.

Finance Officer Consulted: Date:

Legal Implications:

5.2 In reaching its decisions in relation to its budget, the Council needs to have regard to a number of general points. It must provide the services, which, statutorily, it is obliged to provide. Where there is power to provide services, rather than a duty, it has discretion to provide such services. It must observe its other legal duties, such as the duty to achieve best value and comply with the Human Rights Act 1998. It must act in accordance with its general fiduciary duties to its Council Tax payers to act with financial prudence. Finally, it must bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.

Lawyer Consulted: Oliver Dixon Date: 26/05/09

Equalities Implications:

5.3 There are no direct equalities implications arising from this report.

Sustainability Implications:

5.4 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

5.5 There are no direct crime & disorder implications arising from this report

Risk & Opportunity Management Implications:

5.6 The council's revenue budget and Medium Term Financial Strategy contain risk provisions to accommodate emergency spending, even out cash flow movements and/or meet exceptional items. The council maintains a working balance of £9 million to mitigate these risks as recommended by the Audit Commission and Chartered Institute of Public Finance & Accountancy (CIPFA). The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

Corporate / Citywide Implications:

5.7 The Council's financial position impacts on levels of Council Tax and service levels and therefore has citywide implications.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 The forecast outturn position on council controlled budgets is an underspend of £2.441 million, any underspend will be added to unallocated general reserves unless approval is given to allocate funds to specific reserves or contingencies.

7. REASONS FOR REPORT RECOMMENDATIONS:

7.1 Budget monitoring is a key element of good financial management, which is necessary in order for the council to maintain financial stability and operate effectively.

7.2 The capital budget changes are necessary to maintain effective financial management.

SUPPORTING DOCUMENTATION

Appendices:

1. Directorate Revenue Outturn Forecasts

2. Proposed Capital Budget Re-profile Requests

3. Proposed Capital Slippage

4. Proposed new capital schemes 2009/10

Documents in Members' Rooms:

None

Background Documents:

None