POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 43 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2017/18: Month 5**	
Date of Meeting:		**12 October 2017**	
Report of:		**Executive Director of Finance & Resources**	
Contact Officer:	**Name:**	**Nigel Manvell**	**Tel: 29-3104**
	Email:	**Nigel.manvell@brighton-hove.gov.uk**	
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 an early indication of forecast risks as at Month 5 on the council's revenue and capital budgets for the financial year 2017/18.

1.2 As set out in the General Fund Revenue Budget 2017/18 report to Budget Council, £14.7m was provided for in the budget to meet identified service pressures across social care and homelessness services. This sum substantially covered identified demand led pressures. As a result, maintaining a risk provision at £1.500m, as in previous years, was considered adequate to meet potential demand risks and/or difficulties in delivering savings targets. The report highlighted that with demand led pressures funded, the focus in 2017/18 would be on strengthening budget accountability, managing demand effectively and localising risk management in services wherever possible, rather than reliance being placed on corporate mitigations or controls.

1.3 The forecast risk for 2017/18 as we approach the mid point of the year is £1.678m on the General Fund reflecting the situation outlined above. This includes a forecast overspend of £0.088m on the council's share of the NHS managed Section 75 services.

1.4 Taking into account the available risk provision of £1.500m, the council's financial position therefore remains in a manageable position but the upward trend in Children's Social Care costs needs to be addressed.

1.5 The report also indicates that a significant element of the substantial savings package in 2017/18 of £21.367m is on track with £18.497m either achieved or anticipated to be achieved. Savings at risk (£3.329m) are included in the overall service forecasts.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast risk position for the General Fund, which indicates a budget pressure of £1.678m. This includes a forecast overspend of £0.088m on the council's share of the NHS managed Section 75 services.

2.2 That the committee approve one-off funding of the additional cost of Communal Bin rounds of £0.050m detailed in Appendix 3 under City Environmental Services from the council's available risk provision of £1.500m.

2.3 That the Committee note, subject to approval of recommendation 2.2 above, that total recurrent and one-off risk provisions of £1.450m are available to mitigate the forecast General Fund risk if the risks cannot be completely eliminated by year-end.

2.4 That the Committee note the forecast for the Housing Revenue Account (HRA), which is an underspend of £0.490m.

2.5 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an overspend of £0.422m.

2.6 That the Committee note the forecast outturn position on the capital programme and approve the variations and slippage in Appendix 5.

2.7 That the Committee agree to release the 2018/19 contingency of £0.079m within the Welfare Reform Reserve to support the Local Discretionary Social Fund in 2017/18 if required (para 6.3)

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 & 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 through effective financial recovery planning together with more regular monitoring of high risk demand-led areas as detailed below.

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

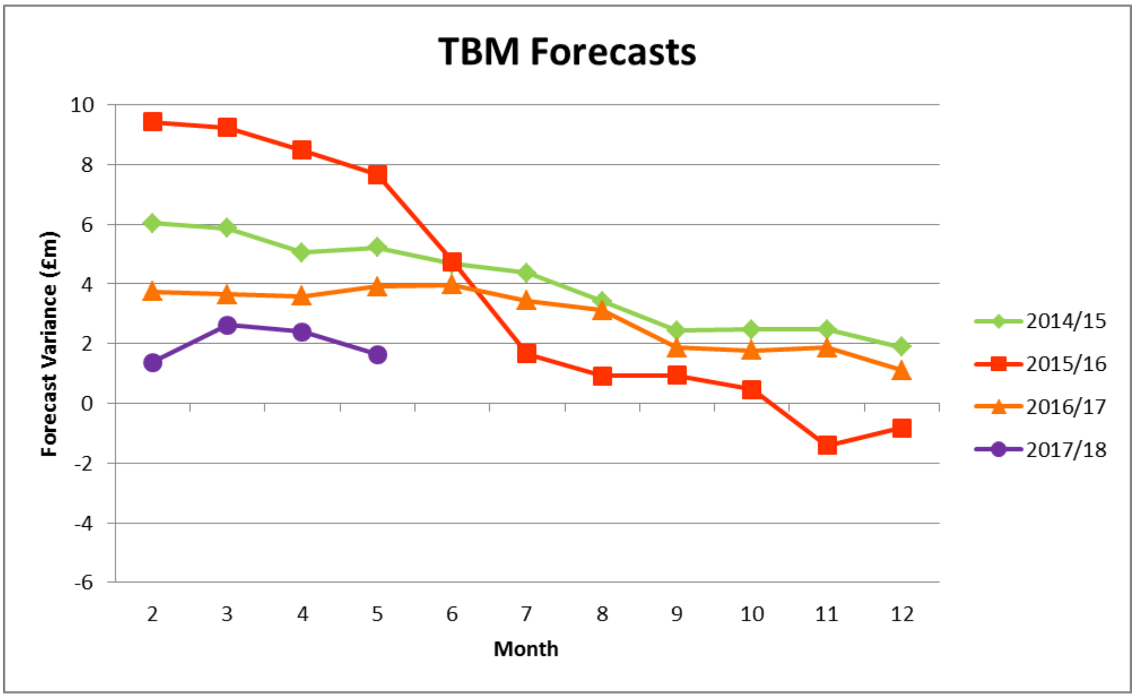
i) General Fund Revenue Budget Performance
ii) Housing Revenue Account (HRA) Performance
iii) Dedicated Schools Grant (DSG) Performance
iv) NHS Controlled S75 Partnership Performance
v) Capital Investment Programme Performance
vi) Capital Programme Changes
vii) Implications for the Medium Term Financial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

General Fund Revenue Budget Performance (Appendix 2)

3.3 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 3.

Forecast Variance Month 2 £'000	Directorate	2017/18 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
1,657	Families, Children & Learning	83,653	86,216	2,563	3.1%
0	Health & Adult Social Care	49,881	49,881	0	0.0%
275	Economy, Environment & Culture	28,821	28,488	(333)	-1.2%
0	Neighbourhood, Communities & Housing	15,584	15,504	(80)	-0.5%
(470)	Finance & Resources	18,159	17,796	(363)	-2.0%
0	Strategy, Governance & Law	4,876	4,914	38	0.8%
1,462	Sub Total	200,974	202,799	1,825	0.9%
(87)	Corporate Budgets	10,952	10,805	(147)	-1.3%
1,375	Total General Fund	211,926	213,604	1,678	0.8%

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) as well as some cross-cutting value for money savings targets. Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note also that although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools). The chart below shows the monthly forecast variances for 2017/18 and the previous three years for comparative purposes.



Demand-led 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 budgets of corporate significance 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 can include income related budgets. These therefore undergo more frequent and detailed analysis.

Forecast Variance Month 2 £'000	Demand-led Budget	2017/18 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
1,796	Child Agency & In House Placements	20,835	23,108	2,273	10.9%
497	Community Care	55,772	56,507	735	1.3%
0	Temporary Accommodation	2,642	2,812	170	6.4%
2,293	Total Demand-led Budget	79,249	82,427	3,178	4.0%

Summary of the position at Month 5

Clearly, the main pressures identified at Month 5 are across the Families, Children & Learning directorate but pressures in other directorates are being contained as summarised below:

3.6 **Families, Children & Learning:** The initial forecast budget risk across Families, Children and Learning was £3.024m primarily resulting from increased demand pressures on services for Children in Care, particularly adolescents with very complex needs and adults with learning disabilities.

Some of the social work cost pressures have continued through from last year. Subsequently the directorate has put together a financial recovery plan to address the financial risks. There still remain significant financial pressures on services for Children in Care and adults with learning disabilities. In addition there are a number of significant financial risks in: supported employment; respite services for children with disabilities; legal fees, supporting families with no recourse to public funds and day services for adults with learning disabilities. These are being closely monitored but have had an adverse impact on the Families, Children and Learning Directorate 2017/18 budget position.

The current projected position has identified potential cost pressures of £0.694m on services for adults with learning disabilities, £0.315m on legal fees and £2.286m on placement budgets. Together with other underspending budgets of £0.076m, explaining the forecast risk of £3.219m as at Month 5. After taking into account the Financial recovery measures of £0.656m the net position currently shows an overspend of £2.563m. Further actions are taking place to reduce this level of projected overspend.

3.7 **Adults Services:** The service is facing significant challenges in 2017/18 in mitigating the risks arising from increasing demands from client needs, supporting more people to be discharged from hospital when they are ready and maintaining the provider market. This is alongside delivering a significant budget savings programme and developing integration plans through the Better Care Fund.

- A break-even budget position is forecast at Month 5 after the implementation of a number of initiatives to improve the financial stability of the directorate in previous years, which have helped to contain the forecast 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.

- There are continued potential forecast risks concerning increased complexity of need, increasing numbers of older people being discharged from hospital requiring social care services for the first time, pressures on the in house older people resource centres and Deprivation of Liberty Standards (DoLS) cases. Following service pressure funding and improved Better Care funding, there is currently no financial risk being reported against these areas.

- The forecast includes the fee uplifts agreed at Health & Wellbeing Board on 31st January 2017 across care in the community and residential care. 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.

- At this stage, £0.600m of the total approved budget savings of £4.873m are being forecast as unachievable in this financial year.

- Service pressure funding of over £3m, including the Adult Social Care precept, has been applied in 2017/18 and used to fund budget pressures resulting from the increased demands and complexity, DoLS, the national living wage and fee rates.

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 using benchmarking information to support the driving down of unit costs but are faced with increased complexity and demand (demographic) growth which is also a national 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.

3.8 **Housing Services and Temporary Accommodation:** Temporary accommodation overspent by £1.062m in 2016/17. This was driven by a combination of external factors including a large decant programme, a shortage of alternative contracted accommodation and high replacement housing costs. In 2017/18 the temporary accommodation budget has been supported by additional funding to address the budget pressures. The service has also been given substantial budget savings to deliver.

The latest forecast position for 2017/18, if no action is taken, is that Temporary Accommodation will overspend by £0.170m (TBM4 on budget). The main reason for this overspend is higher than budgeted repairs costs in temporary accommodation. This is a result of a greater volume of move-ons into permanent housing which creates more voids. In addition, there are a number of vacancies amongst the caretakers which has led to more expensive contractors being required to cover this work. The service is aiming to mitigate this overspend by employing staff to fill vacancies and undertake these works which is more cost effective. If these measures do not mitigate the overspend, there is a contingency sum built into the flexible homelessness grant that can be used as a last resort. So the overall forecast for temporary accommodation is to break-even.

Following the introduction of the new housing allocation policy both the costs and volumes of spot purchasing of emergency accommodation have already significantly reduced. The forecast assumes that the £1.300m trailblazer project should deliver initial reductions in accommodation volumes by the final quarter of 2017-18 and then substantial reduction in households in temporary accommodation by the end of 2018/19. There are risks associated with this in terms of the roll out of Universal Credit and the impact that will have on homelessness in the city, and the likely introduction of the Homeless Reduction Act which places more duties upon the local authority but this will be closely monitored.

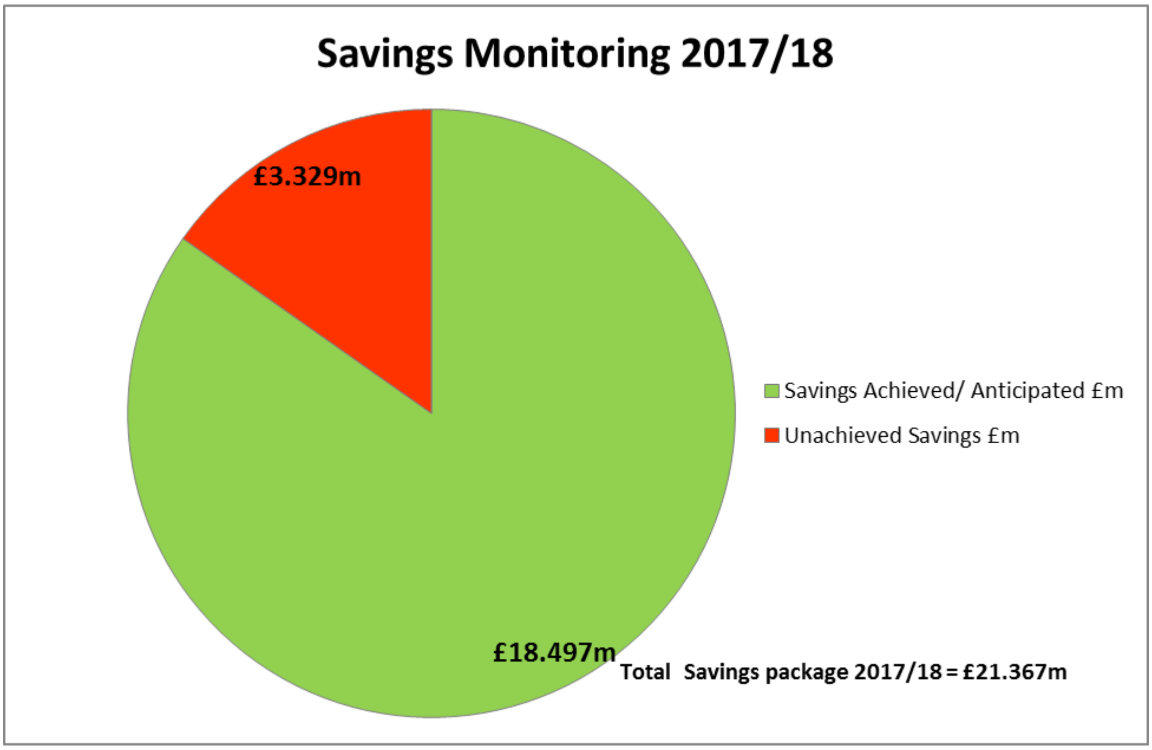
Housing Benefit for households in temporary accommodation changed this year so that the £60pw management element has been replaced by the Flexible Homelessness Support Grant. The forecast number of households in temporary accommodation requires £4.500m of this grant to enable the service to break-even. An additional allocation of £0.200m is required to cover unmet savings in the short term, in order to allow lead in time for the delivery of the Trailblazer project and the transformation of the service. This forecast is subject to the following risks:

- Delays in the delivery of the Trailblazer project (mobilisation time);
- A budget pressure may arise as a result of the transfer of budgets to Housing which may prove to be insufficient for the work carried out to house Adults and Children's Services clients;
- The roll out of Universal Credit from Autumn 2017 (reduction in benefit recovery from clients);
- External pressures outside of the service control (higher than forecast private sector rent increases, greater numbers of homeless acceptances.

Monitoring Savings

3.9 The savings package approved by full Council to support the revenue budget position in 2017/18 was £21.367m following directly on from a similar-sized savings package in 2016/17. This is very significant and follows 6 years of substantial packages totalling nearly £119m that have been essential to enable cost and demand increases to be funded.

3.10 Appendix 3 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 4 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 5 which is an early indication. This shows that delivery is broadly on track with £3.329m (16%) currently at risk. Mitigation of these risks is included in the development of services' financial recovery actions.



Note: Savings Achieved/Anticipated includes an overachievement of savings of £0.459m

Housing Revenue Account Performance (Appendix 3)

3.11 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 forecast outturn is currently an underspend of £0.490m and more details are provided in Appendix 3.

Dedicated Schools Grant Performance (Appendix 3)

3.12 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 forecast outturn is an overspend of £0.422m and more details are provided in Appendix 3. 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 3)

3.13 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.

3.14 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. An overspend of £0.088m is currently forecast and more details are provided in Appendix 2.

Capital Programme Performance and Changes

3.15 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £1.555m at this stage. More details are provided in Appendix 5.

2017/18 Forecast Variance £'000	Capital Budgets	2017/18 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Families, Children & Learning	8,744	8,744	0	0.0%
0	Health & Adult Social Care	268	268	0	0.0%
0	Economy, Environment & Culture	52,389	52,414	25	0.0%
0	Neighbourhood, Comms & Housing	2,633	2,633	0	0.0%
(1,124)	Housing Revenue Account	42,940	41,360	(1,580)	-3.7%
0	Finance & Resources	4,019	4,019	0	0.0%
0	Strategy, Governance & Law	0	0	0	0.0%
0	Corporate Services	0	0	0	0.0%
(1,124)	**Total Capital**	**110,993**	**109,438**	**(1,555)**	**-1.4%**

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

3.16 Appendix 5 shows the changes to the budget which are included in the budget figures above. 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 at TBM2 Policy, Resources & Growth Committee.

Summary of Capital Budget Movement	2017/18 Budget £'000
Budget approved at TBM2.	132,144
Reported at other Policy, Resources & Growth Committees for inclusion into 2017/18.	158
New schemes to be approved in this report	0
Variations to Budget (to be approved – see Appendix 5)	(32)
Reprofiling of Budget (to be approved – see Appendix 5)	(21,277)
Slippage	0
Total Capital	**110,993**

Implications for the Medium Term Financial Strategy (MTFS)

3.17 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

3.18 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 and Digital First. The planned profile of capital receipts for 2017/18, as at Month 5, is £6.480m excluding the receipt associated with the disposal of Kings House which is ring-fenced to support Workstyles and supporting the Integrated Service and Financial Plans. To date there have been receipts of £1.750m in relation to receipt for Circus Street redevelopment plus some minor lease extensions at the Marina and improvement grant repayments. The deposit for Kings House has been received and is held within a separate account as per the contract agreement with the developers. This is not included within the balance of receipts above. The capital receipts performance will be monitored over the coming months against capital commitments.

3.19 The forecast for the 'right to buy sales' in 2017/18 (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 £0.500m to fund the corporate capital programme and net retained receipt of £4.610m available to re-invest in replacement homes. To date 22 homes have been sold in 2017/18.

Collection Fund Performance

3.20 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.

3.21 The council tax collection fund is forecast to be in surplus by (£2.315m) at year end which incorporates a brought forward surplus of (£1.029m). This is a £0.090m reduction in surplus from the position reported at TBM2 mainly due to the level of SMI exemptions increasing at higher levels than anticipated and the backdated cost of awarding in respect of previous years. The in year forecast breaks down as a reduction of (£1.500m) in the amount set aside for losses in resources from changes to the contribution to bad debt provision and previous year's liability whereby the collection rate on the tax base is being amended to 99% from 98.33%. Other changes are a greater than forecast reduction in Council Tax Reduction awards (£0.300m), higher than forecast increase in Severely Mentally Impaired (SMI) exemptions of £0.425m and other exemptions £0.100m. The council's share of the overall forecast council tax surplus is (£1.985m).

3.22 The business rates collection fund is forecast to be in deficit by £0.106m at year-end which relates entirely to a brought forward deficit. The in year business rates collection fund is forecast to breakeven. New business rates relief schemes were announced at the Spring Budget to deal with the impact of business rates revaluation on individual ratepayers which include a £300m discretionary fund over four years from 2017/18, supporting small businesses from large increases due to loss of relief and eligible pubs receiving a £1,000 discount. The discretionary business rates relief fund is to be used on local schemes to assist businesses that are facing rising bills as a result of the revaluation and the allocation for Brighton & Hove ratepayers over the four years is £1.925m of which £1.123m is in 2017/18. With the introduction of the new 2017 rating list and spring budget changes there are still a number of methodology adjustments to the business rates forecasts, tariff payments and section 31 grants that need to be confirmed between central government and local authorities. The council's share of the overall forecast business rates deficit is £0.052m.

3.23 The council's share of the combined collection funds is a surplus of (£1.933m) and is included in the budget forecast for 2018/19.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The provisional outturn position on the General Fund is an overspend of £1.678m. This includes a forecast overspend of £0.088m on the council's share of the NHS managed Section 75 services. Risk provisions of £1.500m are available to substantially mitigate the position. Any overspend at the year-end 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 2018/19.

4.2 The one-off funding of in-year pressures on Communal Bin rounds of £0.050m from the available General Fund risk provision will reduce the risk provision from £1.500m to £1.450m. Therefore, if the council reduces the forecast General Fund risk to £1.450m or lower by year-end it will achieve break-even or better. Funding the pressure in this way effectively treats this pressure as a corporate pressure rather than the alternative of requiring the service to mitigate this pressure internally. The use of the risk provision is recommended given the current forecast risks on this service and the intention to bring forward the full-year impact of this service pressure as part of the 2018/19 revenue budget proposals.

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 & RESOURCES (S151 OFFICER)

6.1 Although the forecast position continues to be an improvement on last year, there are still concerning trends on expenditure for Children in Care. Although there is some evidence of national pressures on Children's Social Care, the growth in costs locally continues to be higher than all but the most deprived council areas and is above the significant service pressure funding provided for in the budget. To ensure effective management of this situation, the local context needs to be understood more clearly and the position in relation to escalating provider fees and charges also needs to be kept under review.

6.2 While the forecast risk at Month 5 remains manageable in the context of available risk provisions it is important that these early signs of cost pressures are addressed and mitigated as far as possible either directly or through alternative recovery action.

6.3 On a separate matter the Committee is being asked to release £0.079m of the Welfare Reform Reserve. In February 2017 Budget Council agreed to set aside an estimated £0.100m of the Welfare Reform Reserve as a contingency for any issues that may arise in 2018/19. Due to higher than anticipated expenditure in 2016/17 the actual amount available is only £0.079m. It is now anticipated that the roll out of Universal Credit in the city from October 2017 could create a pressure on the council's Local Discretionary Social Fund. The committee is therefore asked to agree to release this funding to meet this pressure if required.

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

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

Finance Officer Consulted: Jeff Coates Date: 18/09/2017

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.

Lawyer Consulted: Elizabeth Culbert Date: 22/09/2017

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 2017/18.

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 RAG Rating
2. Revenue Budget Movement
3. Revenue Budget Performance
4. Summary of 2017/18 Savings Progress
5. Capital Programme Performance

Documents in Members' Rooms:

None.

Background Documents

None.