POLICY, RESOURCES & GROWTH COMMITTEE	Agenda Item 26 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) Provisional Outturn 2018/19**	
Date of Meeting:		**18 July 2019**	
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 the provisional outturn position (i.e. Month 12 year-end) on the council's revenue and capital budgets for the financial year 2018/19.

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 31 May 2019 and the audited set approved by the Audit & Standards Committee by 31 July 2019.

1.3 In summary, the council has achieved a provisional outturn underspend of £0.111m on its General Fund services, which also enables release of the financial risk safety net of £1.500m held for 2018/19 but not required. The full release of the financial risk safety net was assumed to be achievable when setting the 2019/20 budget as at Month 9. The provisional outturn therefore represents an improved resource position of £0.111m. The improvement relates to a small number of significant movements detailed in the report and appendices.

1.4 The position demonstrates that the council continues to plan and manage its resources effectively and remains financially resilient without resorting to the use of reserves. This is in an environment of significant financial challenges, including the achievement of over £11m 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 £0.111m and that this represents an improvement in resources of £0.111m compared to the projected and planned resource position at Month 9 taken into account when setting the 2019/20 budget.

2.2 That the Committee note the provisional outturn includes an overspend of £1.057m 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 £1.031m.

2.4 That the Committee note the provisional outturn position for the ring-fenced Dedicated Schools Grant, which is an underspend of £0.804m.

2.5 That the Committee approve carry forward requests totalling £2.745m as detailed in Appendix 5 and included in the provisional outturn.

2.6 That the Committee approve the creation of 3 earmarked reserves as set out in paragraph 6.2.

2.7 That the Committee agree to allocate £0.100m of the outturn underspend to support completion of Subject Access Requests (SARs) as set out in paragraph 6.

2.8 That the Committee note the provisional outturn position on the capital programme which is an underspend variance of £1.278m.

2.9 That the Committee approve the capital budget variations and slippage requested in Appendix 7.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Change in resources since Month 9 (Budget Setting)

3.1 The forecast outturn position at Month 9 was an overspend of £0.381m against which there was available a one-off financial risk safety net of £1.500m, giving a net position of £1.119m underspend. When setting the 2019/20 revenue budget, the overspend was assumed to improve to a break-even position meaning that the amount of one-off resources available to support the budget was £1.500m i.e. equivalent to the release of the full financial risk safety net. This assumed resource was fully allocated in the setting of the 2019/20 budget.

3.2 In essence therefore, when considering the provisional outturn position, only the movement from the assumed break-even position is relevant. The table in paragraph 3.6 below shows that the provisional outturn on the General Fund is an underspend of £0.111m which, subject to approval of the carry forward requests in this report, means that £0.111m additional one-off resources are available compared with Month 9.

3.3 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

3.4 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. At year-end the TBM report will additionally include consideration of the treatment of any underspend or overspend with recommendations to the committee.

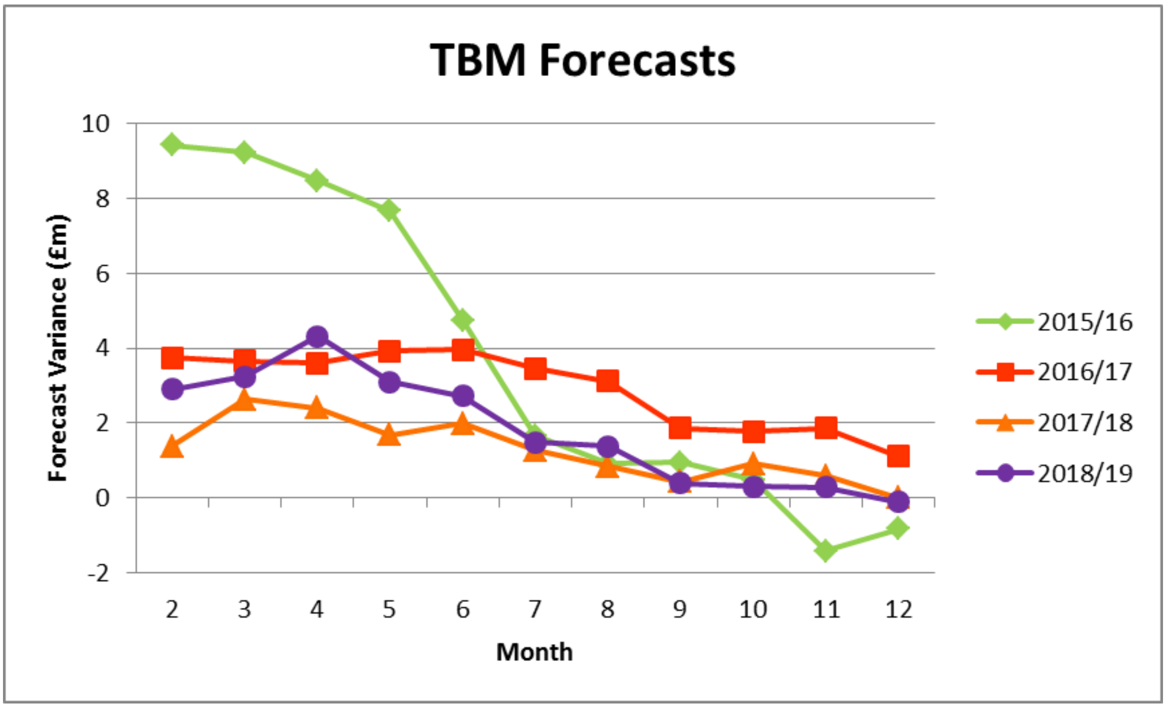
General Fund Revenue Budget Performance

3.5 Appendix 2 provides a high level RAG (Red/Amber/Green) rating of financial performance for each major service heading. 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 Appendices 3 and 4.

3.6 The General Fund includes general council services, corporately-held budgets and central support services. Corporately-held 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).

Forecast Variance Month 9 £'000	Directorate	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(790)	Families, Children & Learning	84,780	83,979	(801)	-0.9%
2,029	Health & Adult Social Care	52,979	55,733	2,754	5.2%
23	Economy, Environment & Culture	18,784	17,399	(1,385)	-7.4%
(320)	Neighbourhood, Communities & Housing	11,557	11,187	(370)	-3.2%
(248)	Finance & Resources	21,874	21,390	(484)	-2.2%
(84)	Strategy, Governance & Law	5,736	5,669	(67)	-1.2%
610	Sub Total	195,710	195,357	(353)	-0.2%
(229)	Corporately-held Budgets	934	1,176	242	25.9%
381	Total General Fund	196,644	196,533	(111)	-0.1%

3.7 The chart below shows the monthly forecast variances for 2018/19 and the previous 3 years for comparative purposes. To ensure a like for like comparison of the underlying position, the data for the 3 years excludes the allocation of risk provisions.

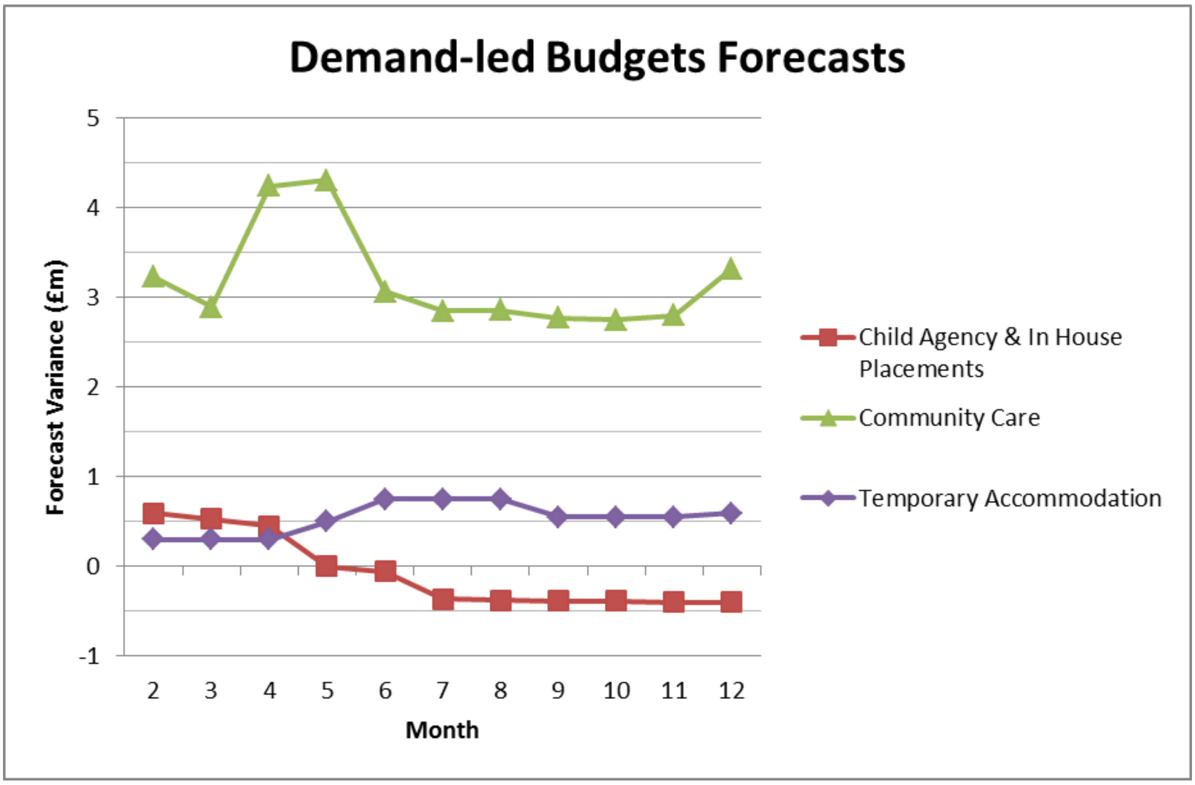


<u>Demand-led Budgets</u>

3.8 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict and where relatively small changes in demand can have significant implications for the council's budget strategy. These therefore undergo more frequent and detailed analysis.

Forecast Variance Month 9 £'000	Demand-led Budget	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(389)	Child Agency & In House Placements	22,448	22,042	(406)	-1.8%
2,772	Community Care	55,658	58,974	3,316	6.0%
550	Temporary Accommodation	2,884	3,476	592	20.5%
2,933	Total Demand-led Budget	80,990	84,492	3,502	4.3%

3.9 At this stage of the year it is important to monitor underlying trends in the context of the 2019/20 budget for which £10.883m 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 2018/19.



Summary of the position at Outturn

The main pressures identified during the year were across Learning Disability, Adult Social Care, IT & Digital, Homelessness, and City Environmental Management services as summarised below:

3.10 **Children's Services:** The initial forecast budget risk across Families, Children & Learning was £2.382m, primarily resulting from increased demand pressures on adults with learning disabilities, services for children leaving care and costs relating to social work. Subsequently, the directorate put together a financial recovery plan to address the financial risks. There were significant financial pressures on services for adults with learning disabilities. In addition, there were a number of significant financial risks in supported employment and services for children with disabilities. These were closely monitored and had an adverse impact on the Families, Children & Learning Directorate 2018/19 budget position. However, the considerable success of measures put in place to improve spending decisions and value for money, particularly in social work and placements for children in care mitigated these budget risks.

The final position showed overspends of £0.302m on services for Adults with Learning Disabilities, £0.587m on services for Children with Disabilities; £0.210m on Home to School Transport and £0.174m on Able & Willing. However, there were significant underspends on Social work and legal costs (£0.814m) and Children's placement costs (£0.641m).Together with other variances (£0.619m), this results in a final outturn underspend of (£0.801m) as at the year-end.

3.11 **Adults Services:** The service has faced significant challenges in 2018/19 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.

- The outturn position is an overspend of £2.754m 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 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 was focus nationally on improving rates of hospital discharge in preparation for winter that leads to increasing financial pressure. There are also continued potential forecast risks concerning increased complexity of need and pressures on the in house older people resource centres. Service pressure funding and improved Better Care funding have partly mitigated the risk for this financial year.

- The outturn position includes the fee uplifts agreed at Health & Wellbeing Board on 30th January 2018 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 the end of the financial year, £1.478m of the total approved budget savings of £3.416m were not achieved.

- Service pressure funding of over £4.000m, including the Adult Social Care precept, has been applied in 2018/19 and used to fund budget pressures resulting from: increased demands and complexity; DoLS assessment costs; national living wage and fee rate cost increases. In addition, the one-off Adult Social Care Support grant of £0.768m and winter pressures funding of £1.229m have been used to augment the pressure funding. However, £1.610m was needed to offset the reduction in one-off iBCF funding this year, £1.000m to cover the withdrawal of CCG funding contributions and £0.500m for the reduction in the Public Health grant. Over the last two years there has been an overall £2.900m reduction in CCG funding for social care services (excluding significant reductions in Continuing Health Care funding agreements). In addition, there is a further recurrent reduction in CCG funding in 2018/19 of £1.1m as part of a £14m savings target across the CCG.

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.

3.12 **Housing Services and Temporary Accommodation:** The outturn position for 2018/19 is an overspend of £1.030m (Month 9 forecast was an overspend of £0.900m). This overspend can be met from the Flexible Homelessness Support grant. The major overspends are £0.592m on Temporary Accommodation (Month 9 forecast overspend £0.550m) and £0.388m on Seaside Homes (Month 9 forecast overspend £0.150m).

The Temporary Accommodation overspend is driven by higher than budgeted volumes and costs of temporary accommodation due to the continuing local pressures and bedding in the statutory requirements of the Housing Reduction Act. The number of households in temporary accommodation has reduced by over 200 units but it has not decreased to the expected levels when the budget was set.

The Seaside Homes overspend is a combination of property costs (mainly buildings insurance) for which service pressure funding of £0.150m has been provided for 2019/20. The remainder of the overspend is due to lower income collection following the impact of Universal credit and void losses due to higher churn as households are moved on from temporary accommodation. The service is focusing on how to improve income collection, which may be more difficult as Universal Credit is rolled out and the benefit payment for rent is not always paid directly to the landlord.

The £1.300m trailblazer project has delivered some reductions in accommodation volumes in 2018/19. This has been extended into 2019/20 and, combined with the funding the council has received from the government's Private Rented Sector Access Programme, should deliver more reductions in 2019/20 and beyond.

The aim is to both deliver a further reduction in the numbers of households in temporary accommodation and shift the accommodation provided away from higher cost units (such as spot purchase or emergency accommodation) by the end of 2019/20.

3.13 **Environment, Economy & Culture:** The directorate experienced a number of pressures across CityClean services. Pressures in CityClean concerned higher non-contracted overtime and agency staffing to cover vacancies and sickness, increased fuel costs and higher vehicle maintenance costs, as well as income pressures for commercial waste and fleet workshop services. There were favourable variances in all other service areas contributing to an overall net underspend position across the directorate; in particular parking services achieved a large underspend due to vacancies and an over-achievement of income, largely related to bus lane enforcement. During the year, the directorate looked at all available options to mitigate increased costs and income shortfalls and developed some successful financial recovery measures, the effects of which contributed to the outturn position.

Carry Forward Requests (Appendix 5)

3.14 Under the council's Financial Regulations, the Director of Finance[1] may agree the carry forward of budget 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 are only allowed 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 £0.374m has been agreed for 14 service areas to ensure planned commitments can be met in 2019/20.

3.15 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 £2.745m and have been assumed in the outturn figures above. The principles outlined in paragraph 3.14 above also apply. An analysis of these is provided in Appendix 5 split into two categories as follows:

i) The non-grant funded element of carry forwards totals £0.930m. 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.

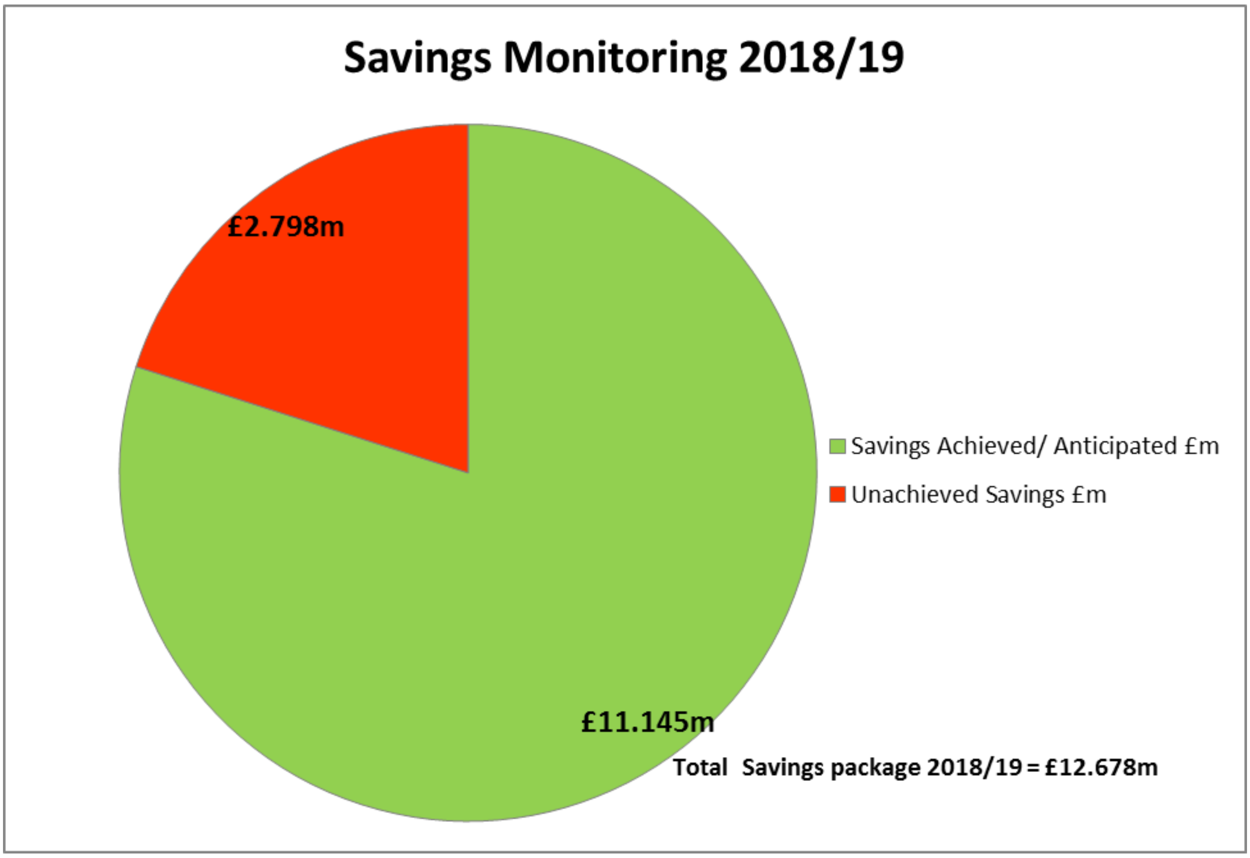
ii) The grant funded element of carry forwards totals £1.815m. Under current financial reporting standards, grants received by the council that are unringfenced or do not have any conditions attached are now recognised as income in the financial year in which they are received rather than in the year in which they are used to support services. Carry forward is therefore required to ensure the grants are available to fund the commitments against them next year. Within the total of £1.815m, a sum of £0.804m 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

3.16 The savings package approved by full Council to support the revenue budget position in 2018/19 was £12.678m. This follows 7 years of substantial savings programmes totalling over £130m that have been essential to enable cost and demand increases to be funded alongside managing reductions in central government grant funding.

3.17 Appendix 4 provides a summary of savings in each directorate and indicates in total what was achieved or unachieved. Appendix 6 summarises the position across all directorates and presents the entire savings programme. This shows that approximately £11.145m savings were achieved (including over-achieved areas) with £2.798m (22%) unachieved. The areas where savings were most at risk were Children's and Adults social care and Learning Disability services. Service pressure funding in the 2019/20 budget recognises the underlying issues on these services.

[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



Note: Savings achieved/unachieved includes an overachievement of savings of £1.265m.

Housing Revenue Account Performance (Appendix 4)

3.18 The Housing Revenue Account (HRA) 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 primarily funded by Housing Benefits (Rent Rebates) (approx. 61%) and Council Housing tenants' rents (approx. 39%). The provisional outturn is an underspend of £1.031m and more details are provided in Appendix 4.

Dedicated Schools Grant Performance (Appendix 4)

3.19 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 £0.804m and more details are provided in Appendix 4. 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 4)

3.20 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.

3.21 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 provisional outturn for the Health & Adult Social Care directorate. The council's contribution to the risk share for 2018/19 is £1.056m and more details are provided in Appendix 4.

Capital Programme Performance and Changes

3.22 The Capital programme spans more than one financial year and therefore monitoring is different to that of the revenue budget. Performance needs to be looked at from 5 different viewpoints at the end of the year as follows:

i) Variance: The 'variance' for a scheme or project indicates whether it has broken-even, underspent or overspent. Information on how forecast overspends will be mitigated is given in Appendix 7. If the project is completed, any underspend or overspend will be an outturn variance. Generally, only explanations of significant forecast variances of £0.100m 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 unforeseeable reasons outside the council's direct 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.

v) IFRS changes: These accounting adjustments are only applied at year-end and are necessary for the council to comply with International Financial Reporting Standards (IFRS) for the Statement of Accounts. This concerns the determination of items of expenditure as either capital or revenue expenditure. Only items meeting the IFRS definition of capital expenditure can be capitalised; expenditure not meeting this definition must be charged to the revenue account.

For many capital schemes there may be instances where some of the costs are of a day-to-day servicing nature and are not true capital expenditure. It would be impractical for an authority to assess every item of expenditure when it is incurred as to whether or not it has enhanced an asset. A practical solution is therefore applied instead and as part of the closure of accounts process an assessment is made by capital programme managers and Finance to determine the correct classification of capital or revenue. Where an element of the scheme is deemed to be revenue, the capital budgets are reduced by the same amount as the items that are subsequently charged to the revenue account to ensure no overall budgetary impact. These changes are designated as ‘IFRS Adjustments’ in Appendix 7.

3.23 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £1.278 m which is detailed in Appendix 7.

Forecast Variance Month 9 £'000	Capital Budgets	2018/19 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Families Children & Learning	6,934	6,934	0	0.0%
0	Health & Adult Social Care	643	643	0	0.0%
0	Economy Environment & Culture	34,758	34,758	0	0.0%
0	Neighbourhood Comm’s & Housing	4,891	4,701	(190)	-3.9%
(551)	Housing Revenue Account	31,345	30,257	(1,088)	-3.5%
0	Finance & Resources	1,512	1,512	0	0.0%
0	Strategy Governance & Law	188	188	0	0.0%
0	Corporate Services	0	0	0	0.0%
(551)	Total Capital	80,270	78,992	(1,278)	-1.6%

(Note: Summary may include minor rounding differences to Appendix 7)

3.24 Appendix 7 shows the changes to the 2018/19 capital budget. 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.

Summary of Capital Budget Movements	2018/19 Budget £'000
Budget Approved at TBM Month 9	102,890
IFRS Year-end changes (for noting)	(3,223)
Variations (for approval - see Appendix 7)	(454)
Reprofiles (for approval - see Appendix 7)	(13,916)
Slippage (for approval - see Appendix 7)	(5,027)
Total Capital Budget at Outturn	80,270

3.25 Appendix 7 also details any slippage into next year. In total, project managers have forecast that £5.027m of the capital budget may slip into the next financial year and this equates to approximately 6% of the capital budget.

Implications for the Medium Term Financial Strategy (MTFS)

3.26 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

3.27 Capital receipts are used to support the capital investment programme. For 2018/19 a total of £6.330m capital receipts (excluding 'right to buy' sales) have been received. Disposals during the year include the sale of 13 Roedean Way, 120-124 Vale Cottages at Stanmer, a flat at St. James Mansion, Hollingbury Barn and land at both Foxdown Road, Woodingdean and Wollards Field. There has been a lease premium received at Rowan Avenue and some minor lease extensions at the Marina. The transfer of land at Victoria Road, Hollingbury Library, properties at Greenleas, Drove Road and 84 Coombe Road to the HRA for new homes was also completed. Finally, the completion of the Shoreham Airport deal was finalised during the year.

3.28 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 2018/19 is £7.736m including £6.638m available for replacement homes.

Collection Fund Performance

3.29 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 & 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.

3.30 The collection fund for council tax at 31 March 2019 has a deficit of £0.378m which is an improvement of £0.179m (council share = £0.151m) from the forecast deficit of £0.556m from month 9. The reduced deficit arose from a lower than anticipated bad debt provision. The majority of the overall deficit relates to adjustments to prior years' liabilities from exemptions and discounts that have reduced the council tax income. The council's share of the overall forecast council tax deficit is £0.326m.

3.31 The collection fund for business rates at 31 March has a deficit of £4.175m which is a decrease of £0.078m from Month 9. The main elements of the overall deficit are firstly a successful appeal on the Royal Pavilion dating back to the year 2000 rating list which resulted in a refund of £2.458m. Secondly, an appeal court ruling has been made that ATM cash machines should be taken out of the rating list and the estimated cost of removing liability back to 1 April 2010 is £1.880m, which after allowing for the appeals provision held against ATM's represents a net loss of £1.386m. The council's share of the overall forecast business rates deficit is £2.046m and after allowing for the impact of timing differences to Section 31 grant this reduces to £1.644m. The council has set aside £1.214m from the Royal Pavilion refund to offset the council's 49% share of the refund as the council was the beneficiary. Therefore the net unfunded deficit for the council is £0.430m (overall improvement of £0.082m from Month 9).

3.32 The council's share of the combined net deficit across both collection funds is lower than the amount factored into the 2019/20 budget (at month 9) and therefore the improvement of £0.233m will be included in the budget forecast for 2020/21.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The provisional outturn position on council controlled budgets is an underspend of £0.111m including the council's risk-share of the provisional overspend on NHS managed Section 75 services of £1.056m. 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 £0.111m that can be used to aid budget management and planning for 2019/20 and will be added to General Reserves unless otherwise allocated by the committee.

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 £0.111m compared with the position at Month 9 and assumed in the 2019/20 Revenue Budget report to Policy, Resources & Growth Committee and Budget Council in February 2019. This indicates a favourable position for the financial year and demonstrates effective financial management and resilience in order to satisfy external scrutiny by partners, external auditors and other stakeholders. The position indicates underlying pressures on Adults Social Care and Learning Disability Services that have been addressed in the 2019/20 budget through further service pressure funding. However, the position on these budgets will need close monitoring during 2019/20 to avoid further growth in cost pressures beyond the additional funding provided.

Other Approvals under Financial Regulations

6.2 New Earmarked Reserves: In accordance with sections B.3.1 and B.3.5 of Standard Financial Procedures, the committee is required to approve the creation of new earmarked reserves. The table below details proposed earmarked reserves, which will support ongoing projects that span financial years and which have already been accounted for in the outturn position:

Directorate	Description	Reason for Reserve	£'000
Economy, Environment & Culture	Bike Share Reserve	Reserve required for the council's share of income from the Bike Share scheme which will be held to fund continuation and development of the scheme in future years.	78
Economy, Environment & Culture	Outdoor Events Reserve	Reserve required to set aside funds for the 2021 UEFA women's Football Championships where Brighton & Hove is a host city.	30
Economy, Environment & Culture	Phoenix House Sinking Fund	As part of the transfer of ownership of this West Street property, a built up sinking fund (which is a requirement under the lease terms for service charges) of £0.060m was transferred to the council by being netted off the purchase price. This needs to be held in an earmarked reserve.	60
Total			**168**

6.3 Allocation for Subject Access Requests: In May 2018 the General Data Protection Regulation (GDPR) and the Data Protection Act (2018) came in to force. The aim of this legislation was to give users better control of how their data is used and it increased rights over their personal information. This has significantly increased obligations on organisations handling large volumes of personal data. Specifically, the changes made it free for individuals to submit Subject Access Requests (SARs), therefore removing a significant disincentive, as well as reducing by approximately 25% the time allowed for providing a response. This resulted in the council's SARs compliance rate falling short of the Information Commissioner's Office (ICO) benchmark of 90% of cases responded to within one month. This significantly heightened the risk that BHCC could be issued with a non-compliance financial penalty which is likely to be material. In response, the Executive Leadership Team have identified an urgent need to create a virtual corporate team to manage all SARs sent in to the local authority. A one-off funding allocation of £0.100m is recommended to address immediate concerns and compliance issues through increased staffing while the longer term budget position is reviewed and potentially addressed in the 2020/21 budget setting process if deemed necessary.

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 strategic financial risks is considered by the Audit & Standards Committee.

Finance Officer Consulted: Jeff Coates Date: 10/06/2019

Legal Implications:

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.

Following the implementation of the EU General Data Protection Regulation (GDPR) there has been a 98% increase in the number of Subject Access Requests. The Council is obliged to respond to these requests within 40 days and the proposals in the report will assist the Council in meeting this obligation.

Lawyer Consulted: Elizabeth Culbert Date: 10/06/19

Equalities Implications:

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

Sustainability Implications:

7.3 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 2018/19.

Risk and Opportunity Management Implications:

7.4 In 2018/19 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. Financial Dashboard Summary
2. Revenue Budget Performance RAG Rating
3. Revenue Budget Movements since Month 9
4. Service Revenue Budget Performance
5. Year-end Carry Forward Requests
6. 2018/19 Savings Progress
7. Service Capital Programme Performance

Documents in Members' Rooms:

None.

Background Documents

None.