OVERVIEW AND SCRUTINY COMMISSION	Agenda Item 83 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) Month 9**	
Date of Meeting:		**11 February 2010 Cabinet** **16 March Overview and Scrutiny Commission**	
Report of:		**Director of Finance & Resources**	
Contact Officer:	**Name:**	**Patrick Rice**	**Tel: 29-1268**
	E-mail:	**patrick.rice@brighton-hove.gov.uk**	
Key Decision:	**Yes**	**Forward Plan No: CAB13924**	
Wards Affected:	**All**		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

1.1 This report sets out the forecast outturn position on the revenue and capital budgets as at the end of December 2009 (month 9). Due to the severity of the adverse weather at the start of January 2010 and the service and financial consequences of this, the forecast has been revised to include the latest available information at the time of publication of this report.

2. RECOMMENDATIONS:

2 That the Overview and Scrutiny Commission notes the report

2.1 That Cabinet notes the forecast outturn for the General Fund, Section 75 Partnerships and Housing Revenue Account (HRA) for 2009/10 as at month 9.

2.2 That Cabinet approves the budget virement on the Dedicated Schools Grant to support schools Special Educational Needs costs set out in Appendix 1.

2.3 That Cabinet notes the forecast outturn position on the capital budgets as at month 9.

2.4 That Cabinet approves the changes to the capital budget as summarised in Appendix 3 and detailed in Appendices 4 – 7.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 The table below shows the forecast outturn position for council controlled budgets within the general fund, including directorates and centrally managed budgets and the outturn on NHS managed S75 Partnership Services.

Forecast Variance Month 6 £'000	Directorate	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
671	Adult Social Care & Housing	42,988	43,717	729	1.7%
-	S75 Learning Disability Services	23,722	23,801	79	0.3%
2,047	Children & Young People's Trust	54,585	56,533	1,948	3.6%
(96)	Finance & Resources	18,673	18,529	(144)	-0.8%
(12)	Strategy & Governance	13,138	13,182	44	0.3%
143	Environment	38,491	39,523	1,032	2.7%
313	Culture & Enterprise	12,177	12,530	353	2.9%
3,066	Sub Total	203,774	207,815	4,041	2.0%
(2,835)	Centrally Managed Budgets	13,854	9,879	(3,975)	-28.7%
231	Total Council Controlled Budgets	217,628	217,694	66	0.0%
386	NHS Trust managed S75 Services	13,496	13,989	493	3.7%
617	Total Overall Position	231,124	231,683	559	0.2%

3.2 The Total Council Controlled Budgets line in the above table represents the total current forecast risk to the council's General Fund. This includes all directorate budgets, centrally managed budgets and council-managed Section 75 services.

3.3 The NHS Trust-managed Section 75 Services line represents those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Trust and South Downs Health Trust and include health and social care services for Adult Mental Health, Older People Mental Health, Substance Misuse, AIDS/HIV, Intermediate Care and Community Equipment. The financial risk for these services generally lies with the relevant provider Trust and it is not expected that any of this overspend will cause additional financial pressure for the Council.

3.4 The forecast outturn on the HRA is as follows:

Forecast Variance Month 6 £'000	Housing Revenue Account	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Variance Month 9 %
221	Expenditure	47,869	48,190	321	0.7%
76	Income	(47,869)	(47,854)	15	0.0%
297	Total	-	336	336	

3.5 The overspend forecast of £0.066 million (excluding S75 Partnerships) is explained in more detail in Appendix 1.

Corporate Critical Budgets

3.6 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.

3.7 As mentioned in the introduction to this report the forecasts incorporate the best available information on the cost implications of the adverse weather at the beginning of January to ensure that members are fully informed of the financial position. This has particularly affected the corporate critical budget for sustainable transport and this is explained in more detail in Appendix 1.

Forecast Variance Month 6 £'000	**Corporate Critical**	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
990	Child Agency & In House	18,144	19,284	1,140	6.3%
232	Sustainable Transport	(945)	57	1,002	106.0%
(300)	Housing Benefits	159,350	159,050	(300)	-0.2%
(260)	Concessionary Fares	7,345	6,945	(400)	-5.4%
761	Community Care	22,763	23,715	952	4.2%
-	Section 75 Learning Disabilities	20,657	20,736	79	0.4%
1,423	Total Council Controlled	227,314	229,787	2,473	1.1%
386	S75 NHS & Community Care	11,323	11,816	493	4.4%
1,809	Total Corporate Criticals	238,637	241,603	2,966	1.2%

3.8 The key activity data for each of the corporate critical budgets is detailed in Appendix 2. Note that the analysis in Appendix 2 will not always match exactly the outturn variances shown in the table above, due to a number of different elements that can affect the outturn. The Appendix is designed to highlight the key underlying activity data that is having the most significant effect on the forecast. Narrative explanations regarding the projections are contained within the individual directorate forecasts contained in Appendix 1.

Capital Budget 2009/10

3.9 This part of the report gives Members details of the capital programme budget position for 2009/10. On 26 February 2009, Budget Council considered a capital investment programme report for the financial year 2009/10 and agreed a capital investment programme of £107.265 million. Some of the schemes included in the budget report related to schemes already approved in detail in previous years, while the remainder of the schemes have yet to be approved in detail following their inclusion.

The following table shows the currently approved capital budget.

Capital Investment Programme 2009/10	2009/10 Budget £'000
Slippage brought forward from 2008/09 approved to date	2,578
Budget Reprofiles from 2008/09 approved to date	3,550
Capital Investment Programme schemes approved	72,374
Total Capital Budget 2009/10 as at month 9	78,502

3.10 The major part of the original capital investment programme for 2009/10 still to be approved is the Local Delivery Vehicle to improve council housing stock as detailed in the budget report. Cabinet have received regular updates on this funding the latest being on 14 January 2010 (Brighton & Hove Seaside Community Homes Ltd – Funding Options and Consents report), where the funding is now scheduled to take place in 2010/11 and included in the budget report elsewhere on this agenda.

3.11 Where schemes are forecast to exceed their budget, budget holders must identify additional resources to finance the shortfall. Forecast overspends of greater than £0.050 million or 10% of the original budget are required to be reported back to Members, either in detailed reports or through this capital monitoring report. Scheme delays or 'slippage' are also monitored in an effort to ensure schemes are delivered not only on budget, but also on time. Where a scheme is forecast to slip by £0.050 million or more, the budget holder will report back to Members, on the amount and the impact of the delay on service delivery.

Capital Forecast Outturn

3.12 A number of changes are proposed to the capital programme as follows: new schemes are proposed and summarised in Appendix 4, budget reprofile requests in Appendix 5; variation requests to the capital budgets are contained in Appendix 6 and slippage forecasts of over £50,000 are listed in Appendix 7. A summary of the proposed changes are shown in the table in Appendix 3.

Overspends

3.13 There are two overspends over £0.050million, one is within the HRA Capital Programme which is expected to overspend by £0.287 million and will be funded from HRA reserves. The majority of this overspend, £0.209 million is in respect of refurbishment of empty properties where the numbers of empty properties and the unit cost are higher than anticipated. A financial recovery plan has been implemented and is reviewed on a weekly basis by the Housing Management Team.

3.14 The other is the major extension and refurbishment scheme at Longhill School which has progressed well from the start. The scheme has overspent the budget due to works being completed ahead of schedule. Despite the recent extreme weather the project has been completed ahead of programme. Latest cash flow forecasts indicate an overspending of this year's budget by approximately £0.440 million. This will be funded by utilising more of the Targeted Capital Fund grant which is allowable under the grant conditions and in 2010/11 has a budget of £6 million.

Budget Reprofiling

3.15 Delays have been identified in some projects due to factors outside of our control. Appendix 5 provides details of the reasons and asks Members to agree to the re-profiling of the budget, which in most cases will result in the resources being moved from this year's capital programme to the next. International Financial Reporting Standards (IFRS) come into effect in 2010/11 and these reprofiles take into account the changes required. Additional work will be necessary during 2010/11 on component accounting. Component accounting is where a significant part of an asset has a shorter life (for example the plant in a swimming pool complex). Also there is a much tighter definition of what expenditure can be funded from capital resources under IFRS and work is continuing on defining what is allowable.

Capital Slippage

3.16 Capital slippage into next year has been included this month on the schemes identified in Appendix 7. Project managers have forecast that £2.244 million of the capital budget may slip into the next financial year. £0.814 million relates to devolved school budgets – budgets over which schools control the timing of the expenditure. The net slippage on the directly controlled budgets therefore amounts to £1.430 million, or 1.39% of the budget.

Prudential indicator for capital expenditure

3.17 Each year, the council sets a number of prudential indicators that show its capital investment plans are affordable and that borrowing levels are sustainable and prudent. For 2009/10, these were set by the council on 26 February 2009. One of these indicators is 'capital expenditure' and in February the council set this at £107.265 million for 2009/10. This indicator helps us to demonstrate that our capital expenditure plans are affordable.

3.18 The Capital Investment Programme report demonstrated how the schemes are fully funded and affordable. The revenue effects of this programme were fully considered as part of the revenue budget setting process.

Capital Receipts

3.19 Capital receipts are used to support the capital programme. For 2009/10 the programme is fully funded, however, any changes to the level of receipts during the year will impact on future years' capital programmes. Capital receipts (excluding housing) are estimated to be £1.4 million. Currently, £0.7 million has been received which includes the long leasehold disposal of part of the Wellsbourne Centre site and the licence fee in respect of the Community Stadium. This leaves £0.7 million of receipts to be achieved during the rest of the financial year. Assets are actively being marketed to achieve the level of receipts budgeted for.

3.20 The level of sales of council homes through 'right to buy' has been severely affected by the current market conditions in house prices generally and the higher cost and availability of mortgages in the current economic climate. The Government receive 75% of the proceeds of 'right to buy sales'; the remaining 25% is retained by the council and used to fund the capital programme. The estimated useable receipts for 'right to buy' sales is £0.2 million for this financial year and to date £0.1 million has been received. The reduction in receipts will impact on the level of investment in future years for corporate funds such as the Strategic Investment Fund, Asset Management Fund and ICT Fund. If there are no other compensating receipts generated and the current trend for 'right to buy' sales continues the capital strategy will need to be reviewed and the consequences of this will be reported within the Capital Investment Programme report for 2010/11.

Comments by the Director of Finance & Resources

3.21 The General Fund Revenue Budget elsewhere on this agenda requires the Chief Finance Officer to consider the robustness of estimates included in the budget. This review has been undertaken based on the financial projections included within this TBM 9 report, ensuring that service pressure funding has been incorporated into the budget, savings or mitigating actions identified to reduce the pressures or risk provisions put in place. The level of overspend reported here has been factored into that Budget report when considering the levels of reserves required.

3.22 The adverse weather has had significant impact on the level of overspend particularly in the Sustainable Transport division. This means that the previous decision of Cabinet to fund a contribution to the Building Schools for the Future Reserve is not affordable from current year's revenue budgets. Alternative funding has been identified within the 3 year Capital Programme as set out in the Capital Resources and Capital Investment Programme elsewhere on this agenda.

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: Patrick Rice Date: 04/01/10

Legal Implications

5.2 Part 3.4 of the council's financial regulations requires the Director of Finances & Resources to report to the Executive on the overall revenue and capital budget position on a regular basis, under the Targeted Budget Management framework.

5.3 Further, under part 3.1 of these regulations, it is for the Executive to take in-year decisions on resources and priorities in order to deliver the budget within the financial limits set by full Council. Hence Cabinet is authorised to change the capital budgets, as proposed by recommendation 2(4), having regard to the effect this may have on the capital outturn position for 2009/10.

Lawyer Consulted: Oliver Dixon Date: 04/01/10

Equalities Implications:

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

Sustainability Implications:

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

Crime & Disorder Implications:

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

Risk & Opportunity Management Implications:

5.7 There are no direct risk or opportunity management implications arising from this report.

Corporate / Citywide Implications:

5.8 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 overspend of £0.066 million. Any overspend that exceeds risk provisions and contingencies will need to be funded from General Fund reserves, which will then need to be replenished as part of the 2010/11 budget and MTFS proposals.

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 proposed budget allocations and capital budget changes are necessary to maintain a balanced programme and effective financial management.

SUPPORTING DOCUMENTATION

Appendices:

1. Directorate Revenue Outturn Forecasts
2. Corporate Critical Budgets Activity Data
3. Capital Summary Outturn
4. Proposed new schemes
5. Proposed Capital Budget Re-profile Requests between years
6. Proposed Capital Budget Variations
7. Proposed Capital Slippage

Documents in Members' Rooms

None

Background Documents

None