

<b>Subject:</b>	<b>Targeted Budget Management (TBM) Provisional Outturn 2010/11</b>		
<b>Date of Meeting:</b>	<b>28 June 2011 (Agreed at Cabinet 9 June 2011)</b>		
<b>Report of:</b>	<b>Director of Finance</b>		
<b>Contact Officer:</b>	<b>Name: Jeff Coates</b>	<b>Tel: 29-2364</b>	
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<b>Key Decision:</b>	<b>Yes</b>	<b>Forward Plan No: CAB21073</b>	
<b>Wards Affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****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 2010/11. The outturn position is subject to external audit. The council's financial statements must be signed by the Chief Finance Officer by 30 June 2011 and the audited set approved by the Audit Committee by 30<sup>th</sup> September 2011.

**2. RECOMMENDATIONS:**

- 2.1 That Cabinet notes the provisional outturn position for the General Fund, which is an underspend of £2.560m.
- 2.2 That Cabinet notes the provisional outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2010/11.
- 2.3 That the Cabinet approve the carry forwards as detailed in Appendix 3.
- 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 4;
  - ii) The carry forward of slippage into the 2010/11 capital programme, to meet on-going commitments on these schemes as set out in Appendix 5.

**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 council has been aware since the in-year grant reductions announced in June 2010 and the subsequent Comprehensive Spending Review in October 2010 that local government finance would be subject to significant funding reductions. The plans put in place to reduce expenditure in the year and to control all non-essential spend were designed to ensure that the council was in a strong position to deal with these financial challenges, particularly their longer term impact. The overall outturn has reduced significantly since the TBM9 position with particular improvements to the trends on corporate critical budget. The council's overall position is supported by significant underspends on Centrally Managed Budgets including savings due to the pay award being lower than forecast and the risk provision held to offset in year pressures. More detailed explanation of the variances below can be found in Appendix 1.

Forecast Outturn Month 9 £'000	Directorate	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(230)	Adult Social Care	38,288	38,032	(256)	-0.7%
258	S75 Learning Disability Services	24,105	24,252	147	0.6%
307	Children & Young People's Trust	53,644	52,965	(679)	-1.3%
18	Finance & Resources	19,521	20,230	709	3.6%
269	Strategy & Governance	14,749	15,203	454	3.1%
681	Environment	34,873	34,991	118	0.3%
(150)	Housing, Culture & Enterprise	28,408	28,052	(356)	-1.3%
1,153	Sub Total	213,588	213,725	137	0.1%
(2,866)	Centrally Managed Budgets	(7,893)	(10,590)	(2,697)	34.2%
(1,713)	Total Council Controlled Budgets	205,695	203,135	(2,560)	-1.2%
582	NHS Trust managed S75 Services	14,199	14,199	-	0.0%
(1,131)	Total Overall Position	219,894	217,334	(2,560)	-1.2%

3.3 The Total Council Controlled Budgets line in the above table represents the total provisional outturn on 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 financial risk for these services generally lies with the relevant provider Trust. As detailed in Appendix 1 agreement has been reached to share the Sussex Partnership Foundation Trust overspend between the Council and the Trust. This has resulted in a break even position after a contribution from the Council of £0.212m which is included within the Adult Social Care outturn in the table above. The provisional outturn on the HRA is shown in the table below and a detailed analysis is provided in Appendix 1.

Forecast Outturn Month 9 £'000	<b>Housing Revenue Account</b>	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(783)	Expenditure	48,294	46,614	(1,680)	-3.5%
381	Income	(48,294)	(47,991)	303	0.6%
(402)	Total	-	(1,377)	(1,377)	

### Corporate Critical Budgets

- 3.4 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 Outturn Month 9 £'000	<b>Corporate Critical</b>	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
251	Child Agency & In House	22,328	22,293	(35)	-0.2%
332	Sustainable Transport	(843)	(770)	73	8.7%
(290)	Housing Benefits	175,500	175,525	25	0.0%
(827)	Concessionary Fares	7,687	6,741	(946)	-12.3%
(385)	Community Care	22,771	22,418	(353)	-1.6%
258	Section 75 Learning Disabilities	24,105	24,252	147	0.6%
(661)	Total Council Controlled	251,548	250,459	(1,089)	-0.4%
582	S75 NHS & Community Care	14,199	14,199	-	0.0%
(79)	Total Corporate Critical Budgets	265,747	264,658	(1,089)	-0.4%

### Carry Forward Requests

- 3.5 Cabinet approval is required for carry forward requests in excess of £0.050m per former Assistant Director area. These total £4.562m and have been included in the outturn figures above. A detailed breakdown is shown in Appendix 2. These have been proposed where funding has been allocated for projects or partnership working that crosses over financial years.

### Capital Budget 2010/11

- 3.6 This part of the report provides Members with details of the capital programme provisional outturn for 2010/11, which highlights any programme slippage and budget changes and seeks approval for carry forwards (re-profiling) to the 2011/12 programme. Appendix 3 to this report shows the proposed changes to the budget, resulting in a final 2010/11 capital programme budget of £87.482m. Delays have been identified in some projects due to factors outside of our

control. Appendix 4 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. Project managers have identified that the net slippage on the capital programme amounts to £2.357m of which £0.546m is devolved to schools leaving a net balance of £1.810m, or 2.07% of the amended budget. Appendix 5 details the significant projects where there is slippage that has not been previously reported. Appendix 6 provides explanations of capital outturn variances greater than £0.050m.

### **Capital Receipts**

- 3.7 Capital receipts are used to support the capital programme. For 2010/11 capital receipts (excluding 'right to buy' sales) of £1.227m have been received which includes the disposal of Cedars Lodge, the final balance on Pioneer House and the deposits for American Express and Charter Hotel. The target for capital receipts was £1.125m and this has been exceeded by £0.102m.
- 3.8 The level of sales of council homes through 'right to buy' continue to be affected by the current poor 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 net receipts for 'right to buy' sales in 2010/11 is £0.397m, the target level of net receipts was £0.492m, a shortfall of £0.095m.

### **Comments by the Director of Finance**

- 3.9 This is the last financial report that will include financial information based on the old council structure. During the changes made during the year, the targeted budget management process has remained robust with clear accountabilities for the whole period. This stability has contributed significantly to the overall outturn position. At budget setting time the assumed outturn position was an underspend of £1.597m including the reversal of the provision for S117 Mental Health Act which is no longer required. The provisional outturn will contribute an additional £0.963m to unallocated general reserves which leaves a total unallocated general reserves balance of £1.243m.
- 3.10 The substantial Value for Money Programme for 2010/11 has exceeded its savings target delivering £4.307m against a budget of £2.809m. This will need to be continued in order to meet the challenging budget targets for 2011/12 and beyond.
- 3.11 The provisional outturn position on the revenue budget shows an improvement since month 9. Every effort was made at the time that the budget for 2011/12 was set to ensure the 2010/11 forecasts were as accurate as possible. These took into account the impact of the in-year savings, the trends on the corporate critical budgets and the spending constraints. There are no significant additional recurrent financial pressures included in this outturn position that haven't already been incorporated in the 2011/12 budget.

## **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.

### Legal Implications:

- 5.2 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:*

*Oliver Dixon*

*Date: 19/05/11*

### 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 £9.000m 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 provisional outturn position on Council controlled budgets is an underspend of £2.560m, any underspend will be added to unallocated general reserves unless approval is given to allocate funds to specific reserves or contingencies. At budget setting time the assumed outturn position was an underspend of £1.597m including the reversal of the provision for S117 Mental Health Act which is no longer required. The provisional outturn will contribute an additional

£0.963m to unallocated general reserves which leaves a total unallocated general reserves balance of £1.243m.

## **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. Carry Forward Requests
- 3. Capital Outturn Summary
- 4. Proposed Capital Budget Re-profile Requests
- 5. Proposed Capital Slippage
- 6. Capital Outturn Variances

### **Documents in Members' Rooms**

None

### **Background Documents**

None