OVERVIEW AND SCRUTINY COMMISSION	Agenda Item 21 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2011/12 Month 2**		
Date of Meeting:		**14 July 2011**		
Report of:		**Director of Finance**		
Lead Member:		**Cabinet Member for Finance & Central Services**		
Contact Officer:	**Name:**	**Jeff Coates**	**Tel:**	**29-2364**
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Key Decision:	**Yes**	**Forward Plan No: CAB22734**		
Wards Affected:	**All**			

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

This report is being presented to 19 July Overview and Scrutiny Commission for the purposes of budget scrutiny monitoring.

1.1 This report sets out the revenue and capital forecast outturn position for 2011/12 as at Month 2.

2. RECOMMENDATIONS:

That OSC Members give their views on the information and identify any significant issues to investigate further with Cabinet Members

2.1 That Cabinet notes the provisional outturn position for the General Fund, which is an overspend of £0.941m.

2.2 That Cabinet notes the forecast outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2011/12.

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

2.4 That the Cabinet approve the following changes to the capital programme:

i) The new schemes as set out in Appendices 1 & 2.

ii) The ICT Fund as shown in Appendix 3.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 This is the first budget monitoring report to reflect the Council's new organisational model. The reporting has been summarised by strategic budget areas with Appendix 1 providing details of the commissioning and delivery units aligned with these areas. In addition in order to raise the profile of capital monitoring there is now increased focus on more critical capital schemes (paragraph 3.9) and capital summaries are included for each of strategic budget areas within Appendix 1.

3.2 The table below shows the provisional outturn position for Council controlled revenue budgets within the General Fund and the outturn on NHS managed S75 Partnership Services.

3.3 In depth work has been undertaken on the corporate critical budget forecasts and these are summarised in paragraph 3.5. At this very early stage of the financial year only major variances on other budgets are identified. It is also worth noting that, based on previous experience, services' forecasts may be prudent at this early stage of the financial year and they are cautious about declaring underspends or improvements in income. More detailed explanation of the variances can be found in Appendix 1.

Directorate	2011/12 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
People	116,548	116,775	227	0.2%
Place	48,076	48,686	610	1.3%
Communities	11,729	11,881	152	1.3%
Resources & Finance	30,457	31,334	877	2.9%
Sub Total	206,810	208,676	1,866	0.9%
Corporate Budgets	20,185	19,260	(925)	-4.6%
Total Council Controlled Budgets	226,995	227,936	941	0.4%
NHS Trust managed S75 Services	14,194	14,376	182	1.3%
Total Overall Position	241,189	242,312	1,123	0.5%

3.4 The Total Council Controlled Budgets line in the above table represents the total forecast outturn on the Council's General Fund. The General Fund includes Commissioning Units and, Service Delivery Units which are organised under the strategic areas of People, Place or Communities. These, together with Resource & Finance Units, corporate budgets and Council-managed Section 75 services, make up the Total Council Controlled Budgets. 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 Sussex Community NHS 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.

Corporate Critical Budgets

3.5 Targeted Budget Management (TBM) is based on the principle 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.

Corporate Critical	2011/12 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
Child Agency & In House	21,780	21,664	(116)	-0.5%
Sustainable Transport -Parking	(13,706)	(13,497)	209	1.5%
Housing Benefits	177,624	177,624	-	0.0%
Community Care	43,231	43,231	-	0.0%
Total Council Controlled	228,929	229,022	93	0.0%
S75 NHS & Community Care	14,194	14,376	182	1.3%
Total Corporate Critical Budgets	243,123	243,398	275	0.1%

Value for Money (VfM) Programmes

3.6 Value for Money is a well understood concept where the approach is to obtain maximum benefit from the resources deployed in the delivery of services. This requires a balancing of cost, efficiency and outcomes that meets local priorities. Value for money is not about cuts, it is about reducing costs, improving efficiency or improving outcomes for the same or less resources, or a combination of these. Recognising the importance of this, the external auditor is required to give an opinion in the Statement of Accounts on the council's arrangements for securing value for money in the use of its resources.

3.7 Over the years, the council has developed various approaches to improving value for money and continually monitors and compares the value for money of services to those of comparable authorities and/or services, known as benchmarking. To improve value for money, the council has adopted a programme approach split into phases.

- Phase 1 involved raising awareness of VfM opportunities and improving skills across the organisation to enable service reviews to be undertaken and further opportunities to be identified. Some VfM savings were identified and achieved but were not significant enough to contribute to the longer term budget position.
- Phase 2 recognised the greater scale of savings needed in the future and identified larger transformational and/or council-wide opportunities for achieving VfM efficiencies and savings.
- Phase 3 continues the Phase 2 approach but includes a greater focus on the council's cost base, including management and administration costs. It also strengthens the focus on improving customer service through Customer Access initiatives and the application of widely adopted Systems Thinking reviews, which focus on reducing process times and costs while maintaining a strong customer perspective.

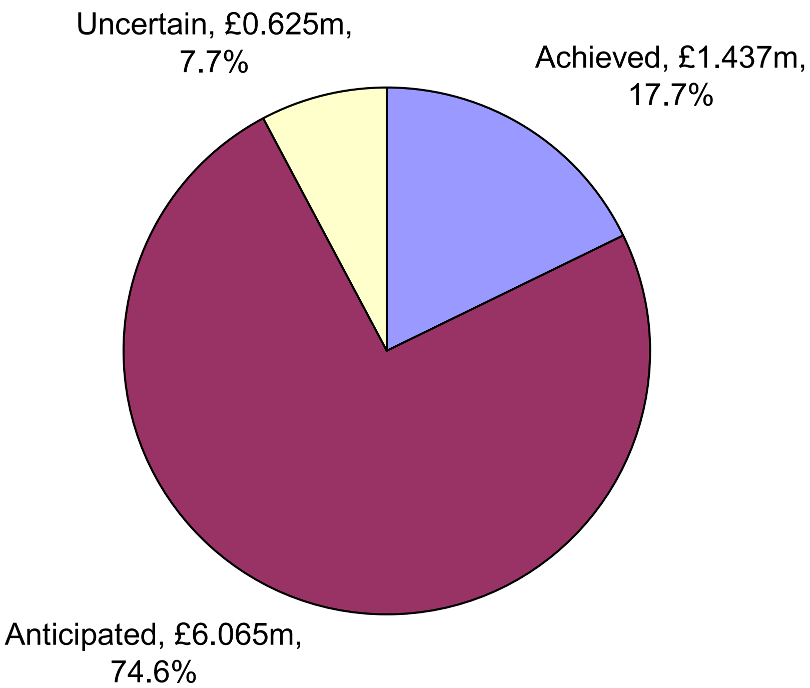
3.8 Phase 2 started in 2010/11 and the savings targets are well established and incorporated into budget forecasts. Project areas have clear plans for implementation and achievement of associated savings however this does not mean they are straightforward to achieve given the scale and complexity of the projects. There is also a stretch target of £0.250m (£1.000m full year) which is less certain and for which plans are currently being worked through. This is most likely to be met from increased procurement savings opportunities.

3.9 Phase 3 started this financial year and although all workstreams have started, there are not yet detailed action plans in place for all projects. More details of Phase 3 are contained within Appendix 1 for Corporate Budgets.

3.10 A summary of current progress toward VfM savings is shown below.

Value for Money Programme (All Phases) - 2011/12 Monitoring

Total VfM Target = £8.127m



Collection Fund

3.11 The Collection Fund is a separate account for transactions in relation to national non domestic rates, council tax and precept demands. Any deficit or surplus forecast on the collection fund is distributed between the Council, Sussex Police and East Sussex Fire Authority in proportion to the value of the respective precept on the collection fund.

3.12 Early projections of the Collection Fund position at 31st March 2012 indicate a potential total deficit of £1.3m of which the Council's share is £1.1m with the remainder met by Sussex Police and East Sussex Fire Authority. Council tax collection is above target so far this year so the deficit is entirely as a result of a lower than anticipated liability. This is mainly due to increases in the number of exemptions and discounts relating to students and unfurnished properties being higher than anticipated. Inspectors in the Revenues Team are looking into the causes of the increases to determine whether they are one-off or ongoing and an updated forecast on the collection fund deficit will be reported in the TBM4 report to be considered at the September Cabinet meeting.

Housing Revenue Account

3.13 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 on the HRA is summarised in the table below. More detail is provided in Appendix 1.

Housing Revenue Account	2011/12 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Variance Month 2 %
Expenditure	50,839	50,324	(515)	-1.0%
Income	(50,839)	(50,860)	(21)	0.0%
Total	-	(536)	(536)	

Capital Budget 2011/12

3.14 The table below provides a summary of the capital programme by strategic theme. Within Appendix 1 for each budget area there is a breakdown of the capital programme by Unit.

Budget Area	2011/12 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
People	43,649	43,649	0	0.0%
Place	51,494	51,494	0	0.0%
Communities	5,561	5,561	0	0.0%
Resources & Finance	8,383	8,383	0	0.0%
Total Capital Budget	109,087	109,087	0	0.0%

3.15 Appendix 1 also provides details of proposed new capital schemes which are included in the budget figures above. Cabinet approval for new capital schemes is required under the Council's financial regulations. Appendix 2 shows an analysis of movements in the capital budget including new schemes, re-profiling (carry forwards) to the 2012/13 programme and slippage. At this early stage of the financial year no slippage or re-profiling has been identified.

3.16 Certain capital schemes have the potential to have significant revenue budget implications if they are not delivered according to timetable. It is proposed that progress on these more critical schemes is monitored throughout the year and reported regularly through the TBM reports. These schemes are shown in the table below and as at Month 2 no variances have been identified.

Scheme	Budget (£'000)	Description
Accommodation Strategy	2,847	Forms part of the Workstyles VFM programme. Delivery is critical to enable planned vacation of Priory House.
Solar Panel Implementation	2,600	Solar panels need to be installed before 31st March 2012 to maximise Feed in Tariff payments and deliver VFM savings.
Vehicle Replacement	1,854	Forms part of the VFM programme. Delivery is critical to enable planned revenue savings from improved fleet management.
New Primary School Places	11,272	Delivery critical to keep pace with anticipated increased demand for primary school places.
Total	18,573	

Capital Receipts

3.17 Capital receipts are used to support the capital programme. For 2011/12 the programme is fully funded, however, 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 such as the Strategic Investment Fund, Asset Management Fund and ICT Fund. Capital receipts (excluding housing) are estimated to be £0.800m for 2010/11 and to date £0.054m has been received.

3.18 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 £0.638m for this financial year and to date £0.102m has been received.

Comments by the Director of Finance

3.19 The overspend forecast at Month 2 reflects some in-year issues which will need to be addressed but also reflects the higher level of savings assumed in the budget and the associated higher level of risk and difficulty of achieving those savings. Some of these savings have longer lead-in times before they will become more certain. The position demonstrates that continued rigorous cost control measures and recovery actions will be needed throughout the year. However, the council's budget strategy recognises the higher level of risks in the delivery of Value for Money Programme and other savings and therefore contains risk provisions of over £3.000m to accommodate potential timing issues and/or unforeseen difficulties in achieving savings. Details of these risk provisions are contained in the Corporate Budgets section of Appendix 1.

4. CONSULTATION

4.1 A roundtable discussion was hosted by the Council Leader, with the Cabinet Member for Finance and Central Services, on 7th June with invitations issued to the three recognised trades unions, the Community & Voluntary Sector Forum and the Opposition parties' Leaders and Finance spokespersons. The objective of the meeting was to review the 2011/12 budget and to commence an open and inclusive approach to the 2012/13 budget setting process. A summary of that discussion is shown at Appendix 5.

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: 20/06/11*

Equalities Implications:

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

Sustainability Implications:

5.4 The report includes progress in meeting energy savings targets set out in the VFM Phase 3 programme.

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 overspend of £0.941m. Any overspend will 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.

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. Detailed Revenue & Capital Outturn Forecasts
2. Capital Programme Summary
3. ICT Fund
4. VfM Programme Benefits Realisation
5. Budget Roundtable Discussion

Documents in Members' Rooms

None

Background Documents

None