

Subject:	Targeted Budget Management (TBM) 2011/12 Month 4		
Date of Meeting:	22 September 2011		
Report of:	Director of Finance		
Lead Cabinet 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: CAB21119	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report sets out the revenue and capital forecast outturn position for 2011/12 as at Month 4.

2. RECOMMENDATIONS:

- 2.1 That Cabinet notes the provisional outturn position for the General Fund, which is an overspend of £1.308m.
- 2.2 That Cabinet notes the forecast outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2011/12.
- 2.3 That Cabinet notes the provisional outturn position on the capital programme.
- 2.4 That Cabinet approves the following changes to the capital programme:
- i) The new schemes and variations as set out in Appendices 1 & 2.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 Reporting has been summarised by strategic budget areas with Appendix 1 providing details of the commissioning and delivery units aligned with these areas. This includes information on critical capital schemes (paragraph 3.14) and capital summaries are included for each of the strategic budget areas within Appendix 1.
- 3.2 The table below shows the provisional outturn forecast for Council controlled revenue budgets within the General Fund and the outturn on NHS managed S75 Partnership Services. Outturn forecasts provide a projection of the anticipated position as at the end of the current financial year (March 2012).

- 3.3 In depth work has been undertaken on the corporate critical budget forecasts and these are summarised in paragraph 3.5. Other budgets are reviewed on a rolling programme although it is expected that all major variances will have been identified. More detailed explanation of the variances can be found in Appendix 1.

Forecast Variance Month 2 £'000	Budget Area	2011/12 Budget Month 4 £'000	Forecast Outturn Month 4 £'000	Forecast Variance Month 4 £'000	Forecast Variance Month 4 %
227	People	133,240	133,542	302	0.2%
610	Place	51,621	52,152	531	1.0%
152	Communities	12,973	13,124	151	1.2%
877	Resources & Finance	39,678	40,126	448	1.1%
1,866	Sub Total	237,512	238,944	1,432	0.6%
(925)	Corporate Budgets	(4,227)	(4,351)	(124)	(2.9%)
941	Total Council Controlled Budgets	233,285	234,593	1,308	0.6%
182	NHS Trust managed S75 Services	14,179	14,341	162	1.1%
1,123	Total Overall Position	247,464	248,934	1,470	0.6%

- 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 and 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.

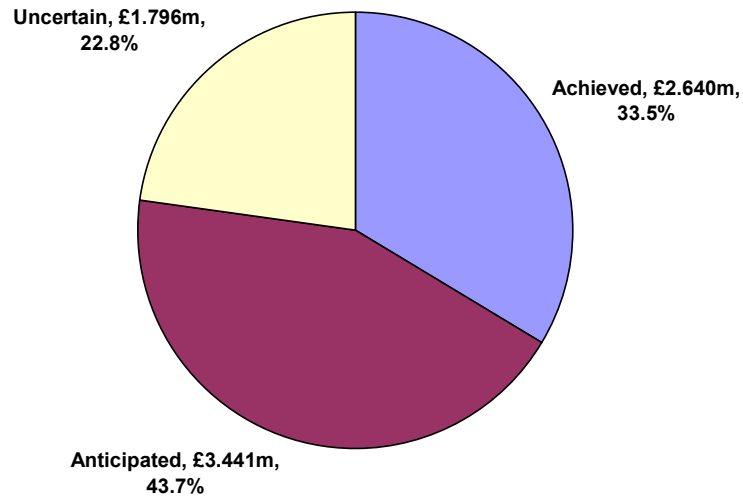
Forecast Variance Month 2 £'000	Corporate Critical	2011/12 Budget Month 4 £'000	Forecast Outturn Month 4 £'000	Forecast Variance Month 4 £'000	Forecast Variance Month 4 %
(116)	Child Agency & In House	21,780	21,733	(47)	(0.2%)
209	Sustainable Transport	(13,569)	(13,489)	80	0.6%
-	Housing Benefits	177,624	177,624	-	0.0%
-	Community Care	43,827	43,681	(146)	(0.3%)
93	Total Council Controlled	229,662	229,549	(113)	0.0%
182	S75 NHS & Community Care	14,179	14,341	162	1.1%
275	Total Corporate Critical	243,841	243,890	49	0.0%

Value for Money (VfM) Programmes

- 3.6 Value for money projects are managed as two programme phases as detailed in previous TBM reports. The programmes contain large, complex projects which are effectively resourced and planned in order to achieve the expected financial and non-financial benefits. However, the projects carry significant risks and therefore each month the TBM report will attempt to quantify the achievement of savings in terms of those savings that have been achieved, those that are anticipated to be achieved (i.e. low risk) and those that remain uncertain (i.e. higher risk).
- 3.7 The main changes since Month 2 relate to the Management and Administration project areas, which have a combined efficiency target of £1.875m, the Procurement project and Adult Social Care. Detailed information about these projects is provided in Appendix 1 under the relevant service area.
- 3.8 A summary of current progress toward VfM savings is shown below and a detailed breakdown for each project is provided at Appendix 3.

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

Total VfM Target = £7.877m



Collection Fund

- 3.9 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.
- 3.10 The council's share of the projected collection fund deficit position at 31st March 2012 is still about £1.100m. Council tax collection remains 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 discounts awarded and exemptions for unfurnished properties being higher than anticipated. Inspectors in the Revenues Team are looking at the validity of key exemption categories. In addition to this the projected number of student exemptions is increased, however the information on numbers of students occupying properties for the remainder of the year will only become available after the new college / university year starts this autumn. Members will be kept informed of any revisions to the forecasts as and when new information becomes available

Housing Revenue Account

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

Forecast Outturn Month 2 £'000		2011/12 Budget Month 4 £'000	Forecast Outturn Month 4 £'000	Forecast Variance Month 4 £'000	Variance Month 4 %
	Housing Revenue Account				
(515)	Expenditure	50,430	49,795	(635)	(1.3%)
(21)	Income	(50,430)	(50,451)	(21)	0.0%
(536)	Total	-	(656)	(656)	

Capital Budget 2011/12

- 3.12 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 4 £'000	Forecast Outturn Month 4 £'000	Forecast Variance Month 4 £'000	Forecast Variance Month 4 %
People	44,181	44,181	0	0.0%
Place	55,730	55,730	0	0.0%
Communities	5,752	5,752	0	0.0%
Resources & Finance	8,455	8,455	0	0.0%
Total Capital Budget	114,118	114,118	0	0.0%

- 3.13 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-profiled schemes (carry forwards) to the 2012/13 programme and 'slippage'.
- 3.14 Certain capital schemes have the potential to have significant revenue budget implications if they are not delivered according to timetable. Progress on these more critical schemes is reported regularly through the TBM reports. These schemes are shown in the table below and as at Month 4 no variances have been identified. More detail on these schemes is provided in Appendix 1 under the relevant budget area.

Budget Area	Scheme	Budget (£'000)	Description
People	New Primary School Places	11,272	Delivery critical to keep pace with anticipated increased demand for primary school places.
Place	Vehicle Replacement	1,204	Forms part of the VFM programme. Delivery is critical to enable planned revenue savings from improved fleet management.
Resources	Accommodation Strategy	2,847	Forms part of the Workstyles VFM programme. Delivery is critical to enable planned vacation of Priory House.
Resources	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.
Total		17,923	

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 £0.760m for 2011/12 and to date £0.058m has been received.
- 3.18 The Government receive 75% of the proceeds of 'right to buy' sales of council houses; 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 £0.202m has been received.

Comments by the Director of Finance

- 3.19 There is a significant overspend forecast at Month 4 and clear action is needed to reduce this to ensure that it does not have create additional challenges for the 2012/13 budget setting process. There are a range of measures that can be taken to reduce this overspend and which are likely to have some beneficial impact including continued tight controls over recruitment and over any non-essential spend. However these will require careful monitoring to ensure delivery. There are also some real complexities in tracking some of the corporate and cross-cutting VFM programme savings because of their interrelationships with service financial plans. This continues to be an area of risk and has partly contributed to the increased overspend shown in this report. However that risk was understood at budget setting time and over £3.000m risk provisions included. Most of those have been allocated to offset the pressures included in this report, but there remains a further £0.250m recurrent funding and £0.400m non-recurrent funding which could be used to offset this overspend if required and if there is no further worsening of the position.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

4.1 No specific consultation has been 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: 25/08/11

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 and 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 minimum 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

Public Health Implications:

5.7 There are no direct public health 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 provisional outturn position on Council controlled budgets is an overspend of £1.308m. 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. VfM Programme Benefits Realisation

Documents in Members' Rooms

None

Background Documents

None