

CABINET

Agenda Item 192

Brighton & Hove City Council

Subject:	Targeted Budget Management (TBM) 2011/12 Month 9		
Date of Meeting:	9 February 2012		
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/No	Forward Plan No: CAB 21069	
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 9. Key information in this report is used to inform the General Fund Revenue Budget report elsewhere on this agenda .

2. RECOMMENDATIONS:

- 2.1 That Cabinet notes the provisional outturn position for the General Fund, which is an underspend of £3.187m.
- 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, variations and slippage 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 3.17) 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 3.6. 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.

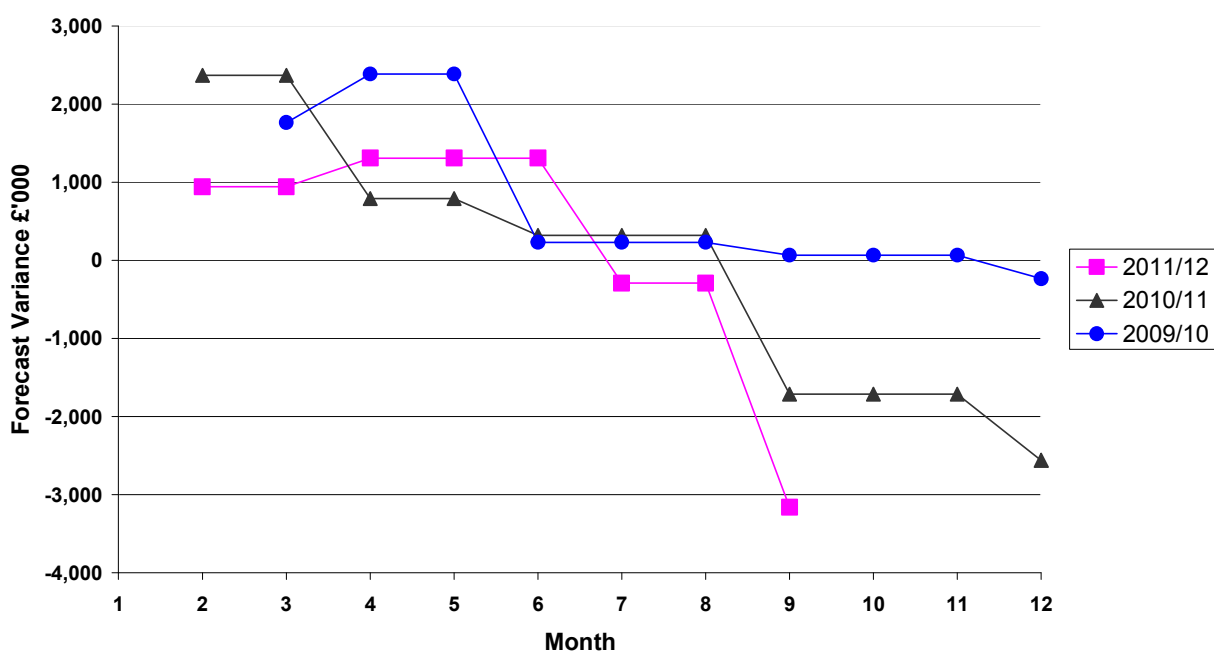
Forecast Variance Month 7 £'000	Directorate	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(719)	People	132,218	129,738	(2,480)	-1.9%
235	Place	51,086	51,221	135	0.3%
172	Communities	13,056	13,031	(25)	-0.2%
120	Resources & Finance	40,053	39,657	(396)	-1.0%
(192)	Sub Total	236,413	233,647	(2,766)	-1.2%
(100)	Corporate Budgets	(2,984)	(3,405)	(421)	-14.1%
(292)	Total Council Controlled Budgets	233,429	230,242	(3,187)	-1.4%
48	NHS Trust managed S75 Services	14,168	14,031	(137)	-1.0%
(244)	Total Overall Position	247,597	244,273	(3,324)	-1.3%

- 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.
- 3.5 The above forecasts do not take account of the anticipated saving as a result of strike pay deductions following the recent industrial action. This is expected to be in the region of £0.250m and this will be transferred to the Single Status Reserve at the year end.

Comparison with Previous Years

- 3.6 The chart below provides a comparison of the forecasts reported to Cabinet for this and the previous two financial years.

TBM Projections Reported to Cabinet 2009/10 to 2011/12



Corporate Critical Budgets

3.7 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.

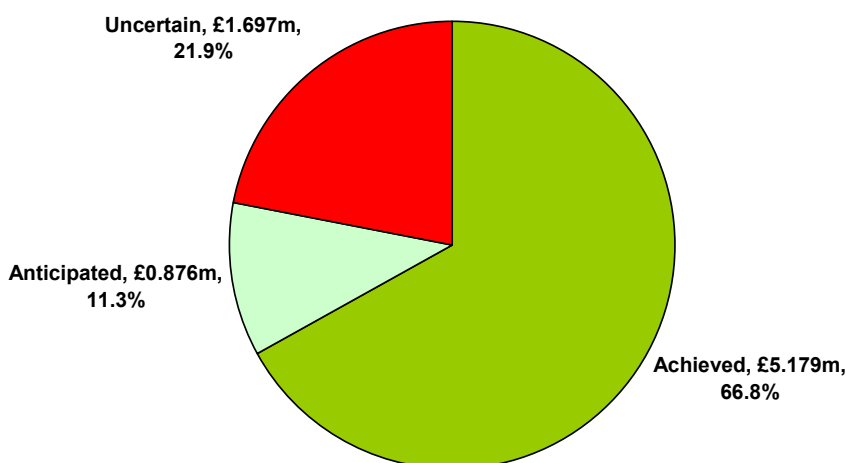
Forecast Variance Month 7 £'000	Corporate Critical	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
35	Child Agency & In House	21,777	21,188	(589)	-2.7%
(4)	Sustainable Transport	(13,586)	(13,733)	(147)	-1.1%
(355)	Housing Benefits	(738)	(1,093)	(355)	48.1%
(279)	Community Care	43,737	43,024	(713)	-1.6%
(603)	Total Council Controlled	51,190	49,386	(1,804)	-3.5%
48	S75 NHS & Community Care	14,168	14,031	(137)	-1.0%
(555)	Total Corporate Criticals	65,358	63,417	(1,941)	-3.0%

Value for Money (VfM) Programme

- 3.8 The Value for money programme contains large, complex projects which include additional temporary resources (e.g. Project Managers) to ensure they are properly planned and implemented to achieve the required financial and non-financial benefits. However, the projects carry significant risks and may need specialist advice or skills that can be in short supply or they may need to navigate complex procurement or legal processes. Therefore each month the TBM report will attempt to quantify progress on 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).
- 3.9 The level of 'uncertain' savings has reduced slightly since month 7 to 21.9%, while the proportion of achieved savings continues to increase and now stands at 66.8% (£5.179m). The overall council underspend position reported above indicates that recovery and other counter measures will more than offset uncertain VFM savings if these are cannot be fully achieved in 2011/12. However, some of these measures are of a one-off nature and therefore every effort will continue to be made to achieve further VFM savings by the end of the financial year since this is critical for the next year's budget position and beyond. Further information about individual VFM projects is included in Appendix 1 under the relevant strategic area.
- 3.10 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

Current VfM Target 2011/12 = £7.752m (Full Year = £10.002m)



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 in relation to council tax 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 The council's share of the projected collection fund deficit position at 31st March 2012 has reduced to about £0.850m from £1.100m due to the increase in student exemptions not being as high as anticipated. Council tax collection remains above target so far this year so the deficit is still entirely as a result of a lower than anticipated liability.

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.

Forecast Variance Month 7 £'000	Housing Revenue Account	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(638)	Expenditure	50,330	49,305	(1,025)	-2.0%
78	Income	(50,330)	(50,194)	136	0.3%
(560)	Total	-	(889)	(889)	

Capital Budget 2011/12

- 3.14 The table below provides a summary of the capital programme by strategic theme and shows an overall underspend of £0.974m. Within Appendix 1 for each budget area there is a breakdown of the capital programme by Unit.

Forecast Variance Month 7 £'000	Capital Budgets	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Outturn Month 9 £'000
	Budget Area				
0	People	27,788	27,788	0	0.0%
(916)	Place	46,268	45,134	(1,134)	-2.5%
0	Communities	3,357	3,667	310	9.2%
0	Resources & Finance	5,302	5,152	(150)	-2.8%
(916)	Total Capital	82,715	81,741	(974)	4.0%

3.15 Appendix 1 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. It also provides written details of variations (including re-profiled schemes), slippage and underspends. Appendix 2 shows an analysis of these movements and is summarised in the table below.

Capital Budget Movement		2011/12
Summary		Budget £'000
Approved Budget TBM7		89,897
New Schemes		715
Variations to Budget		(7,094)
Slippage		(803)
Total Capital		82,715

3.16 In total, project managers have forecast that £3.544m (£2.741m previously reported and £0.803m this month) of the capital budget may slip into the next financial year and this equates to 4.28% of the budget. This is reflected in the tables above.

3.17 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. 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	10,012	Delivery critical to keep pace with anticipated increased demand for primary school places.
Place	Vehicle Replacement	676	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. Forecast underspend of £0.150m.
Resources	Solar Panel Implementation	0	£0.250m re-profiled into 2012/13 for 3 corporate buildings. The remaining budget is not required following the report to Cabinet on 19 th January. – see Resources & Finance capital section in Appendix 1.
Total		13,535	

Capital Receipts

- 3.18 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 £0.820m for 2011/12 and to date £0.837m has been received. This includes the receipts for the disposals of 47 Middle Street, Ovingdean, 34 Roedean Crescent and the second deposit instalments for both Charter Hotel, Kings Road and the Ice rink at Queen's Square.
- 3.19 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 £0.364m has been received.
- 3.20 The first tranche of receipts of £3.247m from the housing Local Delivery Vehicle (LDV) has been received out of a total estimated balance of £5.980m for this financial year. The net receipts are ring-fenced to support investment in council owned homes.

Comments by the Director of Finance

- 3.21 The forecast outturn is very encouraging, particularly given the scale of the savings that have been implemented during 2011-12, and releases one-off resources to support the budget planning for 2012/13 and 2013/14. It is important to note that the overall underspend only represents a 1.4% variance on the net revenue budget and the underspend on People services, while again significant in cash terms, represents only a 1.9% variance on a very large area of expenditure.
- 3.22 The report sets out the detailed explanations for the underspend but there are a number of common themes that can be drawn out:
- the continued positive impact of the Value for Money Programme on corporate critical social care spending in both children's and adults services;
 - advance planning for the delivery of savings for 2012-13;
 - a recognition across the organisation of the budget challenges that are being faced resulting in tight control on discretionary spend and on recruitment.
- 3.23 All the key areas of underspend have been analysed to determine whether they are one-off or recurrent. A cross check has been undertaken to ensure that where appropriate recurrent savings have been incorporated into the 2012/13 budget proposals and that the underlying trends on corporate critical budgets are properly reflected in the service pressure assumptions for 2012/13. This process has resulted in only very minor changes to the 2012/13 budget proposals

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: 23/01/12

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 underspend of £3.187m. As mentioned above, underspending will release one-off resources that can be used to aid budget planning in 2012/13. 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