

## People - Revenue Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(1,024)	Commissioner - Children's Youth & Families	16,412	15,200	(1,212)	-7.4%
(253)	Commissioner - Learning & Partnership	9,195	8,701	(494)	-5.4%
(114)	Delivery Unit - Children's & Families	38,858	38,485	(373)	-1.0%
(1,391)	Total Children's Services	64,465	62,386	(2,079)	-3.2%
(238)	Commissioner - People	247	(48)	(295)	-119.4%
(869)	Delivery Unit - Adults Assessment	48,049	46,140	(1,909)	-4.0%
18	Delivery Unit - Adults Provider	14,818	14,771	(47)	-0.3%
(1,089)	Total Adult Services	63,114	60,863	(2,251)	-3.6%
(2,480)	Total Revenue - People	127,579	123,249	(4,330)	-3.4%

### Explanation of Key Variances

(Note: FTE/WTE = Full/Whole Time Equivalent)

#### Commissioner – Children, Youth & Families

There is an underspend of £1.016m in respect of residential agency placements resulting from lower than budgeted numbers of children placed and average unit costs. There is also an underspend of £0.410m on secure placements.

The numbers of children placed in independent foster agency (IFA) placements continues to rise. During 2010/11 there were 164.52 FTE placements representing a 23% increase on the previous year. During 2011/12 there were 186.65 FTE placements. Despite a significant reduction in the number of Parent & Baby placements the overspend is £0.686m.

Following the service review of early intervention grant funded services an underspend in 2011/12 of £0.377m has been identified.

A number of new safeguarding posts have been created in 2011/12 and these were not fully recruited until recently resulting in an in-year underspend of £0.088m.

The Children's Services Value for Money programme is effectively addressing the level of activity and spend in the placement budgets for 'looked after children'. The plan focuses on strengthening preventive services and streamlining social work processes including:

- implementing a tiered approach to the procurement of placements for looked after children, reducing the proportion of high cost placements;

- improving the commissioning of expert assessments in care proceedings, strengthening arrangements for early permanence planning and increasing the numbers of in-house foster placements and adopters;
- developing pathways from social work to early help services to systematically identify and track families who may need a Family Assessment (CAF) to prevent referral or re-referral for social work assessment and intervention;
- commissioning a transformational workforce development programme to support social work services to further improve the quality of social work practice and reduce the need for high cost interventions;
- creating a costed directory of effective interventions so that all staff/partners have clarity about all interventions delivered with evidence of effectiveness and associated costs.

The 2011/12 children's services VfM savings target was £2.019m. The final outturn figures confirmed that the programme has significantly exceeded the savings target by 163% (a total of £3.284m achieved).

### **Commissioner – Learning & Partnership**

There are underspends of £0.301m in Home-to-School Transport, £0.054m in the School Improvement Service, £0.058m for Education Welfare, £0.058m for the Foundation Learning Engagement programme and £0.044m for SEN administration. The underspend on Home-to-School transport reflects the continued downward trend in the numbers of children being transported as well as the more favourable terms of the recently renegotiated contracts. These are partially offset by the overspend of £0.071m relating to the closure of the Learning Development Centre (LDC) at the end of January and the associated loss of booking income. This is related to planned changes across the service and links to the corporate accommodation strategy.

### **Delivery Unit – Children & Families**

The corporate critical budget for agency disability placements overspent by £0.297m. The number of children with disabilities placed has increased over the last 12 months and now there are 15 children in placement compared with a budgeted level of 11 places.

Allowances and direct services for adopted children overspent by £0.153m. This is predominantly caused by inter-agency adoption costs where the Council belongs to a group of local authorities in an effort to obtain the best matches for adoptive parents. The net costs of these adoptions are then recharged between the group members and this year it is anticipated that BHCC will have a net liability. This is a very volatile service area and may be subject to significant changes during the year.

There is an overspend of £0.359m on social work teams. A successful advertising campaign in the spring/early summer saw the recruitment of a dozen new staff but there is continuing churn of social workers. A particular challenge remains whereby other local authorities, including London boroughs offering a significant 'golden hello', are drawing-in staff from across the south east. Front-line teams are significantly staffed by younger people who have greater mobility.

There is also an overspend of £0.060m on the corporate critical budget for services to care leavers.

The overspends mentioned above are off-set by the underspend of £0.202m in the corporate critical budget for in-house placements. The budget allowed for 416 FTE placements of differing types and the actual numbers are 17.7 FTE below this level. This is mainly due to less residence order and family & friends placements than budgeted. The average unit costs are slightly higher than budgeted mainly as a result of the mix of different placements with fewer children in the lower cost placement types (e.g. residence order & family & friends placements). There are also underspends of £0.465m for Sure Start services, £0.115m relating to the in-year review of Early Intervention Grant (EIG) related services, £0.197m on Youth services and £0.144m on the Youth Employability Service (YES). The 2011/12 budget for YES includes a one-off amount of £0.200m transition funding and £0.093m relating to the part year effect of the 2011/12 savings proposals. The underspend arose as a result of robust financial management contributing towards balancing the overall Children's Services budget. In addition, the actual transitional costs turned out to be less than initially estimated while designing the new service. As the transitional funding was one-off, it is not available to fund developments which would extend beyond 31<sup>st</sup> March 2012.

### **Commissioner - People**

The underspend is £0.295m, largely as a result of staff savings identified and one-off income streams. This is an improvement of £0.057m from Month 9.

### **Delivery Unit – Adults Assessment**

Assessment Services are reporting an underspend of £1.909m (an improvement of £1.040m from Month 9) due to further savings identified against the Community Care budget, over and above the challenging budget strategy savings target for 2011/12. The movement has been against Older People (£0.212m), Physical Disabilities (£0.218m) and Learning Disabilities (£0.594m). There has been evidence of changing needs of people being discharged from hospital for which appropriate funding has been agreed.

The underspend of £0.732m against Older People relates to anticipated growth trends not materialising (100 WTE clients less than budgeted); in the main this is attributed to the effectiveness of prevention services, in particular reablement. The underspend of £1.036m against Learning Disabilities relates to both net growth and costs on residential placements being less than budgeted (approximately 9 WTE clients). The position on Learning Disabilities has also been improved by a reduction in the anticipated costs of transition cases (£0.344m); a further reduction in unit costs from negotiations with providers (£0.124m) and over-achievement of the financial recovery plan from continuing health care income (£0.222m). This reflects the success of the framework contract and better use of specialised placements.

The underspends have been offset by a pressure on Physical Disabilities of £0.078m (4 WTE clients more than budgeted) and there has been a reduction in spend of £0.063m against the No Recourse to Public Funds (NRPF) budget. Against the Assessment Teams, there is an underspend of £0.157m, largely from staff savings.

**Delivery Unit – Adults Provider**

Provider Services are showing an underspend of £0.047m (an improvement of £0.065m from Month 9). The improvement reflects the management controls over expenditure in provider services, and staff flexibility and support to deliver challenging savings plans.

## People – Capital Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Delivery Unit - Children's & Families	171	154	-17	-9.9%
0	Commissioner – Learning & Partnership	25,252	25,266	14	0.1%
0	Total Children's Services	25,423	25,420	-3	0.0%
0	Delivery Unit - Adults Provider	224	224	0	0.0%
0	Delivery Unit - Adults Assessment	303	303	0	0.0%
0	Commissioner - People	1	1	0	0.0%
0	Total Adult Services	528	528	0	0.0%
0	Total People	25,951	25,948	-3	0.0%

### Critical Budget – New Primary School Places reprofile of £0.043m

At month 9 it was reported that no substantive design or building work had started on the provision of junior places related to the additional infant places at Connaught Road or the reorganisation of primary places in Portslade. As a result, £1.000m was reprofiled into 2012/13.

Negotiations are currently taking place in relation to a site in Hove for the junior expansion linked to Connaught Road and also for a site to enable the expansion of St Peter's Infant School in Portslade. The work to create a 2 form entry primary school at Benfield Primary is due to complete at the end of May 2012.

Design work has now started at St Nicolas CE Junior and Portslade Infant Schools in Portslade. Proposals are slightly further advanced at St Nicolas with a projected start on site in January 2013. The budgets available in 2012/13 for the Primary Capital Programme will fund the £0.043m reprofiled sum.

### Other Variations

#### Commissioning – Learning & Partnership

##### Devolved Formula Capital (£0.155m)

Devolved Formula Capital is a financial resource that is devolved to schools by the Local Authority. Part of the terms of this Department for Education grant provides schools with the option to accrue the money for a maximum of 3 years. However, accrued funds are normally retained by the Local Authority. The outstanding balances represent the funds that schools have chosen not to take up this year. These outstanding budgets are to be reprofiled and made available to the relevant schools in 2012/13.

### **Other minor variances**

There are reprofiles of Fairlight Primary School IT Equipment (£0.020m), Whitehawk Co-location (£0.026m), Structural Maintenance (£0.036m) and Capital Maintenance £0.041m into 2012/13.

### **Delivery Unit – Children’s & Families**

#### **Short Breaks for Disabled Children (£0.058m)**

The underspend is due to the fact that 2 providers are sourcing adapted people carrier vehicles funded through grant. This has taken longer than anticipated, therefore this budget will now be spent in the early part of 2012/13.

### **Other minor variances**

There are reprofiles within Children’s Social Services of (£0.049m) and Youth Capital Fund (£0.002m).

### **Commissioner – Adult Services**

#### **Minor Variances**

A reprofile of (£0.004m) to be agreed by Cabinet for Cromwell Road Basement Development following a (£0.145m) reprofile at TBM9.

### **Delivery – Adults Assessment**

#### **Adaptations for the Disabled (£0.119m)**

The minor adaptations budget needs to be reprofiled to 2012/13 as the main contractor has taken considerable time to carry out and invoice for adaptations towards the latter part of the year and therefore both payments and scheduled works have had to be carried over. This contractor is no longer being used and new contractors are being sought via the Major & Minor Adaptations Framework that is currently out for tender.

#### **Minor Variances**

Reprofiling of the following schemes is required: Adult Social Care Reform Grant (£0.019m).

### **Delivery Unit – Adults Provider**

#### **Minor Variances**

There are reprofiles for Misc Provider Adaptations and Equipment (£0.016m), Telecare Provider (£0.001m) and Beach House adaptations (£0.005m).

### **Slippage**

### **Commissioning – Learning & Partnership**

#### **Brighton Aldridge Community Academy and Portslade Aldridge Community Academy (£0.562m)**

There was an underspend on Brighton Aldridge Community Academy of £0.626m and this will be added to the budget of £0.391m to cover the remaining works. Similarly the Portslade Aldridge Community Academy slippage of £0.064m will reduce the budget in 2012/13 of £12.514m.

### **Delivery Adults Assessment**

#### **Telecare Assessment (£0.050m)**

There is a relatively low take up of Telecare in relation to the potential number of households who could benefit. This is expected to change during 2012/13 as the benefits are realised from the intensive marketing and training strategy undertaken in conjunction with health and third sector partners.

#### **International Financial Reporting Standards (IFRS) Accounting Changes**

International Financial Reporting Standards (IFRS) requires expenditure that does not enhance the building or asset to be charged to revenue. These adjustments are processed at the year end and budgets and actual spend are amended accordingly alongside any additional Direct Revenue Funding (DRF) contributions where necessary. For 'People' there are changes of £(0.799m) for education and adults adaptations.

#### **Underspends / Overspends**

Within Commissioning Learning & Partnership there was a small overspend on various capital schemes totalling £0.014m. In the Delivery Unit - Children and Families there was a (£0.017m) underspend on various projects that ended in 2011/12. The total of both resulted in a small underspend of (£0.003m).

**Place - Revenue Budget Summary**

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
72	Commissioner – City Regulation & Infrastructure	3,282	3,475	193	5.9%
(191)	Delivery Unit - City Infrastructure	17,816	17,371	(445)	-2.5%
(23)	Delivery unit - Planning & Public Protection	4,764	4,747	(17)	-0.4%
(21)	Major Projects	306	268	(38)	-12.4%
(163)	Total City Regulation & Infrastructure	26,168	25,861	(307)	-1.2%
67	Commissioner - Housing	12,066	11,560	(506)	-4.2%
231	Delivery Unit - Housing & Social Inclusion	299	504	205	68.6%
298	Total Housing	12,365	12,064	(301)	-2.4%
135	Total Revenue - Place	38,533	37,925	(608)	-1.6%

**Explanation of Key Variances****Commissioner - City Regulation & Infrastructure**

Sustainable Transport has a provisional outturn overspend of £0.193m, an adverse movement of £0.121m since month 9. Of this, £0.159m relates to Transport Policy and the need to secure additional technical support for considering the transport implications of major planning applications in the city. There has been an improvement in relation to recharging officer time to projects of £0.043m.

**Delivery Unit - City Infrastructure**

Parking Operations has an underspend against budget of £0.250m, an improvement of £0.103m since month 9.

There is a shortfall in the level of on-street pay and display income but this is mitigated by increases in permit income, leading to an overall surplus against budget of £0.080m, which is an improvement of £0.120m since month 9. The position for the off street car parks is now an overspend against budget of £0.097m, an improvement since month 9 of £0.081m.

Income from penalty notices is £0.017m less than expected at month 9, at £0.246m higher than budget. This is due to concentrating enforcement in the areas most affected by poor parking, and through enforcement of bus lanes. Expenditure savings through efficiencies in the removals service and enforcement contract variations increased by £0.013m since month 9 to produce total savings of £0.181m. £0.340m is being used as a revenue contribution to capital for the refurbishment works at Regency Square car park, thus reducing the need for borrowing, releasing additional revenue resources in the long term.

There is no change since month 9 to the following: salary underspends total £0.080m due to vacancy management, and there is an underspend of £0.130m owing to improvements to the system of medical assessments for blue badges.

Other Traffic Budgets are showing an improvement since month 9 of £0.065m relating to staffing costs.

City Clean and City Parks have jointly achieved an underspend against budget of £0.112m representing 0.5% of the budget. After offsetting vehicle management costs within the two areas, the underspend relates primarily to efficiencies in City Parks.

### **Delivery unit - Planning & Public Protection**

Development Planning has an underspend against budget of £0.040m, an adverse movement of £0.029m since month 9. Although there are some movements between the teams in Planning, the movement is due to a shortfall in Development Control income.

The provisional outturn for Public Protection is an overspend against budget of £0.091m, an adverse movement since month 9 of £0.045m comprising a number of minor variations, Economic Development has an underspend against budget of £0.068m. Of this £0.026m relates to LABGI funding (Local Authority Business Growth Incentive) identified after month 9 and the remainder to an underspend in the Initiatives budget.

### **Major Projects**

There is an underspend of £0.038m relating to staffing costs and other minor variances.

### **Commissioner – Housing**

The movement from a forecast overspend of £0.067m at month 9 to an underspend of £0.506m at outturn is mainly due to the income for emergency placements which we over-achieved on. The implementation of a rent accounting system this coming year (2012/13) will enable us to more accurately monitor the Temporary Accommodation budget. In addition, we were successful in negotiating sufficient leased accommodation at a preferential rate to offset the projected increase in more expensive spot purchase accommodation from an under spend in the Housing Options staffing budget, which was due to the difficulty in recruiting appropriate staff.

### **Delivery Unit – Housing & Social Inclusion**

The main variance relates to the budget for Travellers, which has overspent by £0.222m during 2011/12. This is due to additional costs for security (£0.105m), rubbish clearance (£0.085m) and legal fees (£0.045m). These costs are offset by minor underspends elsewhere in the service. Additional funding has been included in the 2012/13 budget for this service area.

**Place – Capital Budget Summary**

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(22)	Commissioner - City Regulation & Infrastructure	4,987	5,148	161	3.2%
(325)	Delivery Unit - City Infrastructure	52,156	51,752	(404)	-0.8%
0	Major Projects	282	281	(1)	-0.4%
(347)	Total City Regulation & Infrastructure	57,425	57,181	(244)	-0.4%
0	Commissioner – Housing	4,714	4,715	1	0.0%
(787)	Delivery Unit - Housing & Social Inclusion (HRA Capital)	25,807	24,508	(1,299)	-5.0%
(787)	Total Housing	30,521	29,223	(1,298)	-4.3%
(1,134)	Total Place	87,946	86,404	(1,542)	-1.8%

**Critical Budget – Vehicle Replacement****Place – Capital Budget Summary****Critical Budget – Vehicle Replacement reprofile of (£0.201m)**

A reprofile of (£0.076m) is requested as a result of suppliers delivering the vehicles in early April which was later than expected. A further reprofile is requested of (£0.125m) as a result of the supplier going into administration and the associated delay from finding another supplier.

**Variations****Commissioner – City Regulation & Infrastructure****Minor Variations**

There are reprofiles of Cedar Gardens Roadworks (£0.016m), West Street Rottingdean (£0.008m) and King George VI Highway Works (£0.004m) are required.

**Delivery Unit – City Infrastructure****Hollingdean Depot Capital Costs reprofile of (£0.126m)**

Demolition delays have resulted in additional health and safety measures being implemented to the building itself and increased health and safety monitoring.

### **Reprofiles under (£0.050m)**

Minor reprofiles are requested for Stoneham Recreation Ground £(0.035)m and Turner Park £(0.007)m.

### **Commissioner – Housing**

#### **Variations to schemes over £0.050m**

#### **Renovation Grants and Energy Efficiency £(0.245m)**

This carry forward request is to meet £0.245m of commitments against works approved but not yet completed under the Regulatory Reform (Housing Assistance) Order 2003 including for common parts assistance, decent homes assistance, empty property assistance, HMO licensing grant, landlords major work assistance, landlords minor heating grant and minor decent homes grant.

The Private Sector Housing Team approves expenditure in the form of loans or grants to several hundred individual applicants to assist them with improving their homes and current policy allows these applicants 12 months to complete the works; only at this stage is payment made to the property owner. The Council has no control over how quickly applicants complete the building work within the statutory time limits after the formal approval has been granted. There are therefore a large number of approved cases in the pipeline, where applicants, for a number of reasons, outside of the council's control, have not completed the actual work by year end. These reasons can include the availability of local builders, delays in service connections, additional works required, unforeseen delays due to weather, building and planning consents required.

The capital for Private Sector Housing Renewal comes in the form of grant which can be carried forward.

#### **Disabled Facilities Grant £(0.138m)**

An unanticipated in-year grant of £0.092m was received in January 2012, which was too late to defray before year-end given existing commitments, it is requested this is carried forward to 2012/13. The remaining £0.046m is a carry forward of actual commitments. This reflects those grants that were approved and committed in 2011/12, but not completed by applicants. These grants are awarded to hundreds of disabled individuals each year to help with adapting their homes under Part I of the Housing Grants, Construction and Regeneration Act 1996.

The legislation allows these individuals 12 months to complete the works following approval. Only on completion can payment be made. There are therefore a number of approved cases in the pipeline, where applicants, for a number of reasons, have not completed the actual work by year-end. The Council has no control over how quickly applicants complete the building work within the statutory time limits after the formal approval has been granted. Reasons for delay can include the availability of specialist local builders, the co-ordination of a number of different support agencies, delays in service connections, additional works required, unforeseen delays due to weather and building/planning consents required.

#### **Major Adaptations £(0.082m)**

There are a number of applicants where funding has been approved in principle during 2011/12 which is in excess of £0.100m in total, however delays occur due to the

complexity of individual cases, including issues such as client consultation regarding the design of the adaptation, and it anticipated these payments will now be made during 2012/13.

### **Reprofiles under (£0.050m)**

Reprofiling is required for Housing Local Delivery Vehicle (LDV) on-going costs £0.019m and 'Places for Change' £(0.009m).

## **Delivery Unit – Housing & Social Inclusion**

### **Variations to schemes over £0.050m**

#### **Door Entry System and CCTV (£0.279m)**

The Door Entry System replacement programme has been setback due to a delay in the procurement process, where a selected framework did not satisfy the Council's standard requirements for procurement. Due to the value of the programme of works and the requirement for consultations there is not now enough time to tender for and carry out the works in this financial year.

New door entry systems have been installed in some smaller blocks and other urgent installations are being treated as priority through a mini tender process. All potential delays are communicated with residents and risk managed to ensure that any repair service delivery issues are understood and treated with sensitivity.

#### **Health & Safety - Lift Replacement (£0.299m)**

It was reported to Cabinet at month 7 that due to the timetable for procuring the long term lift maintenance and replacement contract the council had been unable to start the programmed work due under this contract. This work started in January 2012 and will take approximately 32 weeks which means that an element of these works will not be completed in the financial year 2011/12. It is now necessary for additional reprofiling of £0.299m following measurement of works completed by 31 March 2012.

Lifts will be replaced in priority order and those which will be completed in 2012/13 have been identified as relatively reliable based on expert advice from our lift consultants, therefore there are no expect adverse impacts on the service delivery.

#### **Fire Safety (£0.253m)**

Additional ventilation works that were not specified in the original programme have been identified by East Sussex Fire & Rescue Service as being required in order to conform to current regulations.

As these specially commissioned works were not in the original programme they needed to be separately priced and tendered. The time for completion of the tender process and for the manufacture of the bespoke louver vents required has meant this programme will start later than expected and is now scheduled to be completed in May 2012. There will be no negative impact on the service delivery to residents.

#### **Empty Properties (£0.300m)**

This programme targeted a relatively small number of empty properties requiring a significant amount of work, to bring homes back into use.

Due to delays in gaining access to properties caused by squatters, surveying of these properties to scope the works required have not been completed within original

timescales, which meant the majority of planned work has been unable to start on site before the beginning of the new financial year.

There will be no negative impact on the service delivery to residents. Once we are able to complete these works it will have a positive impact for residents as it will bring extra properties back into use.

### **Structural Repairs (St James House) £0.092m**

Works being carried out at St James House relating to the Car Park and structural works are being carried over 2 phases and financial years.

At month 7 the structural repairs budget of £0.753m had been reprofiled to financial year 2012/13 and this included budget provision for St James House (Phases 1 & 2).

Upon completion of phase 1 it is now required that a proportion of the reprofiled budget for structural repairs is brought back into 2011/12 to fund the outturn expenditure. It is anticipated that the overall project for both phases will remain within existing capital programme budgets.

### **Pre-Lease Conversion Refurbishment (£1.998m)**

The time taken to set up the new company and legal sign-off of batching arrangements delayed the release of the total budget (until October 2011). The partnership had planned works and put in place resources to deliver all project sites.

Once lease agreements between the City Council and Seaside Homes were finalised, works were undertaken and have been completed at 40 Wilbury Villas. Some sites were delayed due to squatting, preventing access to sites for pre-works surveys and health & safety works.

Works are on-site at 4 College Terrace, 176 Ditchling and 40 Dyke Road. We are also ready to start 243/245 Preston Road, pending final clarifications. Service delivery is ongoing and effective communication with Seaside Homes and other interested parties, including local residents, is in place.

### **Pre-Lease (seaside) major voids refurbishment (£0.069m)**

All the works to empty homes were completed, except for 105 Preston Road, which was delayed due to, firstly, a break-in and damage to the property, followed by the discovery of asbestos, and a collapsed drain at the rear. The project is now due to complete by the end of June 2012. As a result a reprofile of £0.069m is required.

Service delivery is ongoing and effective communication with Seaside Homes and other interested parties, including local residents, is in place.

### **Kitchen and Bathrooms (£0.076m)**

The re-profiled funds were ring-fenced for the improvements required to the studio flats in the Evelyn Court sheltered homes scheme.

An initial feasibility study looked at all investment work required to improve this building, including a proposal to make these dwellings into self-contained one bedroom flats by knocking two dwellings into one.

Recommendations from feasibility studies will be reviewed by the Council in consultation with local tenants and other stakeholders, before proceeding with a preferred option. The preferred option may require a request for further funds.

This process will take time and potentially require the relocation of some residents therefore these works are unable to proceed in this financial year.

This project's delay has not adversely affected service delivery. A decision on further work will need to be made early within new financial year to ensure we achieve our decent homes target.

### **Domestic & Communal Rewire (£0.240m)**

The domestic element of the re-wiring budget is dependent on stock condition survey results which require gaining access to homes to carry out the "test and report" on the electrical wiring. The test and report identify work required, which is then planned and carried out as a programme.

All works planned for this financial year have been carried out, however due to the nature of the programme and access issues a contingency amount is requested to be re-profiled.

The Budget will be required to meet the expected demand in the next financial year due to the drive to meet the decent homes standard in 2013.

This budget issue has not adversely affected service delivery. It is expected to have a positive impact for tenants and the decent homes standard in the next financial year.

### **Extensions (Overcrowding) (£0.183m)**

Work to extend several homes is progressing with individual design consultation with each of the families, identified as most in need.

New legislation around building and construction has created new requirements before we are able to start large extensions and we are working with utility suppliers to prevent any significant delays to works beginning.

There are currently 6 projects ongoing: 3 on-site and 3 at planning stages. Service delivery is ongoing and effective communication with residents of affected dwellings is in place.

### **Energy Efficiency (£1.131m)**

The Energy Efficiency Programme is a large programme of works and although there has been good progress over the last quarter there are some areas of work, in particular the communal heating programme, which will be continuing into the new financial year.

There have been delays in the programme for the following reasons:

- In depth feasibility studies were required to be carried out to inform a review of value for money cost-saving options with local resident and members.
- Additional technical assessments required which include the use of thermographic surveys and can only be effectively carried out at very low temperatures. These surveys identify hot and cold spots on the building, therefore alerting to areas where measures to prevent heat loss from residents' homes and help to tackle the challenge of fuel poverty can be put in place.

This comprehensive approach requires a considerable time to complete, however, the results from thermographic surveys enable the Council to demonstrate the delivery of value for money investment, by quantifying the benefits of planned work such as cladding and insulation to residents' homes. Work enables the Council and residents to save money on their utility bills and provides more accurate estimates for reductions in carbon use resulting from energy efficiency work.

### **Partnership Establishment Costs (£0.161m)**

A proportion of the HRA Capital Programme is carried out through the Partnership contract, which includes an overhead element for delivering the works. Efficiencies in the contract for overheads amounting to £0.055m were achieved in 2011/12 and also an element of overhead expenditure is deferred to 2012/13 due to the reprofiling of some of the capital programme. The reprofile of £0.161 is required to be carried forward to meet the project delivery costs of the programme in 2012/13.

### **Redevelopment of HRA vacant garage sites (£0.310m) and underspend of £(0.234m)**

The funding of the feasibility, design and site preparation for the vacant garage sites to be reimbursed through grant from the Homes and Community Agency (HCA) was approved by Cabinet at month 9.

At that stage the costs and funding for the project still had to be finalised. The cost of the works for the site redevelopment has been calculated at £0.441m and HCA have provided grant to cover these costs providing that work was completed by 30 April 2012.

As at 31 March 2012 expenditure is £0.131m with the balance of £0.310m to be completed by 30 April.

The budget variation is the difference between the original budget allowance and the now known estimated cost of the works/HCA funding. The original budget request had said that if the costs of the project had exceeded the grant received by the HCA, then the balance would be funded out of HRA Capital Reserves.

### **Variations of under £(0.050m)**

There are minor variations on capital budgets for: Windows £0.046m, Dwelling Doors (£0.013m), Estate Development Budget (£0.044m), TV Aerial Works (£0.028m) and Ainsworth House New Build of £0.026m.

### **Commissioning – Major Projects.**

#### **Variations of over £0.050m**

##### **Open Market (£0.081m)**

The council's development partner delayed the start of works on site to carry out unforeseen detailed design work following the granting of planning permission and to accommodate a request from the market traders to stay in the existing market over the Christmas period before relocating to temporary business accommodation. The original timetable was delayed by approximately 5 months.

The temporary phase of the Open Market remains for the same duration and will therefore have no additional effects on market traders beyond those originally anticipated. The project is now programmed to complete in August 2013.

### **Brighton Centre Redevelopment (£0.052m)**

Twin track options for a full scale refurbishment of the building or for a wider redevelopment of the central area (partnership scheme with Standard Life) are both under consideration. The Major Projects Team are leading on both options in order to move toward a full and robust appraisal of the costs, risks and opportunities presented by each option. The Council had been waiting for Government announcements on funding options including Tax Incremental Financing and Business Rate Retention and the outcome of these announcements need to be reflected in the viability of the above options. The current level of funding is required in readiness for work beginning with Standard Life or to take forward a refurbishment proposal which will require significant work to areas of the building critical to its operation.

### **Variations under (£0.050m)**

Other variations on budgets within Major Projects are for the following schemes: Development of Black Rock Site (£0.039m), Preston Barracks Site (£0.025m), Circus Street Development (£0.018m), Improvements to New England House (£0.015m), Falmer Released Land (£0.007m), i360 Project (£0.008m), Shoreham Harbour (£0.005m), and The Keep (£0.007m).

### **Slippage of over £0.050m**

#### **Delivery Unit – City Infrastructure**

##### **Defra Waste Performance and Efficiency (£0.081m)**

Replacement recycling vehicles were not ordered pending the outcome of the communal recycling trial.

##### **The Level Skate Park (£0.053)m and Bexhill Road Skate Park (£0.050m)**

The Level skate park S106 works have been delayed following discussions of the revamp of the Level. The Bexhill Road skate park is being funded by a range of external bodies as well as our own funds and delays have occurred. Consultation and the design took longer than first anticipated which resulted in the scheme slipping into 2012/13. Construction of the site is now complete and public opening events are scheduled for 28th July at Bexhill Road Woodingdean

##### **Communal Recycling Trial City Centre (£0.078m)**

It is anticipated that the cost of the trial will be £0.122m of which there was initial expenditure of £0.044m in 2011/12. This will be funded through the PFI reserve from funds set aside for the implementation of the waste strategy. A bid for match-funding is under review by Interreg and a decision is expected in June 2012. If this bid is successful it will reduce the net cost to the PFI reserve.

#### **Commissioner – Housing**

##### **Local Delivery Vehicle (LDV) (£0.310m)**

The costs associated with this project are for the set-up costs of the Local Delivery Vehicle. Expenditure has been less than anticipated on the entire project. A review will take place in 2012/13 to see if this reprofile can be transferred in-to capital reserves.

## **Delivery Unit – Housing & Social Inclusion**

### **HRA ICT Budget (£0.106m)**

The IDOX (electronic document scanning and storage) project has been delayed further due to demands on ICT resources by other teams within the council; hence the delayed start date of the project from December 2011 to April 2012.

### **International Financial Reporting Standards (IFRS) Accounting Changes**

International Financial Reporting Standards (IFRS) requires expenditure that does not enhance the building or asset to be charged to revenue. These adjustments are processed at the year end and budgets and actual spend are amended accordingly alongside any additional Direct Revenue Funding (DRF) contributions where necessary. For 'Place' there are changes of £0.088m for various social inclusion, housing and traffic schemes.

### **Energy Recovery Facility £48.475m**

During 2011/12 the Energy Recovery Facility at Newhaven became operational. In accordance with IFRS accounting requirements, the 'fair value' of the asset must be included in the council's capital programme and the asset recognised in the council's balance sheet. The value of the asset is £48.475m. This is an accounting requirement only and does not impact on the council's capital resource position.

## **Underspends/overspends of over £50,000**

### **Commissioner – City Regulation & Infrastructure**

#### **Falmer Infrastructure Works reprofile of £0.153m**

In year overspend on Falmer Infrastructure Works.. A review of cost to be incurred during 2012/13 is currently being carried out and will be used to calculate the budget and spend profile.

All costs for this scheme are to be funded by Brighton and Hove Albion and will be at no cost to Brighton & Hove City Council.

### **Delivery Unit City Infrastructure**

#### **Gritter Vehicles (£0.101m)**

Following a rigorous procurement process there is an underspend of £0.101m on this scheme. This is after £0.024m has been re-profiled into 2012/13 at month 9.

## **Delivery – Housing & Social Inclusion**

### **Redevelopment of HRA vacant garage sites underspend of £(0.234m)**

The underspend for Redevelopment of HRA vacant garage sites relates to the reprofile detailed earlier in the appendix.

### **Energy Efficiency £(0.222m)**

The completion of open book audits and the rebasing of year 6 of the gas servicing and maintenance contracts has achieved efficiencies of £0.161m over the last year on the installations programme.

There is a small underspend of £0.061m upon completion of the Leach & Patching Boiler installation project.

### **Asbestos (£0.063m)**

Due to the reactive nature of the asbestos capital programme, there were reduced requests for major asbestos removal in 2011/12. Additionally, the works that were requested were of lower costs than expected.

### **Disabled Adaptations £0.050m**

Last year the Housing Adaptations Service completed 264 major adaptations; this year 317 have been ordered to date, including 'fast track' projects and Decent Homes works. There have also been 2 large projects completed this year totalling £0.135m.

The increase in Disabled Adaptations will be met from underspends in the HRA Capital programme that have already identified during 2011/12 through Budget Monitoring.

### **Underspends / overspends of under (£0.050m)**

Commissioner – City Regulation & Infrastructure: A small overall overspend on various projects of £0.008m. Various schemes within the Delivery Unit – City Infrastructure have reported an overall underspend of £(0.047m). Various schemes within Delivery - Housing Social Inclusion are reporting an underspend of (£0.039m).

### **Previously reported underspends**

The reasons for the Lanes & London Road Car park improvements (final outturn of £0.257m) and the HRA Water Tanks (final outturn of £0.790m) have already been notified to Cabinet in previous TBM reports.

## Communities - Revenue Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Commissioner - Communities & Equalities	3,059	3,070	11	0.4%
0	Community Safety	2,146	2,125	(21)	-1.0%
0	Commissioner - Sports & Leisure	1,158	1,153	(5)	-0.4%
0	Commissioner – Culture	2,041	2,020	(21)	-1.0%
(25)	Delivery Unit - Tourism & Leisure	3,539	3,536	(3)	-0.1%
(25)	Total Revenue – Communities	11,943	11,904	(39)	-0.3%

### Explanation of Key Variances

#### Commissioner – Communities & Equalities

The net overspend of £0.011m compares to a break-even position reported at month 9. This includes an underspend on grants offset by an overspend on equality and community cohesion initiatives with the community & voluntary sector.

#### Community Safety

The net underspend of £0.021m across Community Safety relates to vacancy management. This compares to a break-even position reported at month 9.

#### Commissioner – Sport & Leisure

This budget relates mainly to contractual payments and Council responsibilities for sports facilities. Contracts are monitored closely and although there are individual variances, the overall outturn is a small underspend of £0.005m compared to a break-even position reported at month 9.

#### Commissioner – Culture

The net underspend of £0.021m across the Commissioner for Culture services compares to a break-even position reported at month 9.

These budgets relate mainly to contractual payments, such as for the Brighton Festival, and offsetting variances have been managed within the overall resources.

#### Delivery Unit – Tourism & Leisure

The overall outturn for the Tourism and Leisure Delivery Unit is an underspend of £0.003m compared to a projected net underspend of £0.025m at month 9. This is made up of overspends of £0.168m for Venues (£0.017m overspend at month 9) and £0.019m for Tourism and Marketing (£0.014m overspend at month 9) which have been offset by

underspends of £0.133m Seafront and Sports Facilities (£0.063m underspend at month 9), and £0.057m Royal Pavilion and Museums (£0.007m overspend at month 9).

The Venues outturn position includes income shortfalls of £0.112m for the Hove Centre and an improved £0.038m for the Brighton Centre. These shortfalls were offset by savings elsewhere including on staffing, increased recharges of costs and changes to the Ticketmaster contract. The increase in the costs since month 9 is mainly due to a revenue contribution of £0.258m to the capital overspend on the works at the Brighton Centre as detailed in the capital section of this report.

The underspend at the Royal Pavilion and Museums is due to the significant overachievement of admissions income with visitor numbers being higher than projected. This has been partially offset by additional security costs and unachieved income in the Tea Rooms.

The improved position across the Seafront and Sports Facilities is again due to the overachievement of income including in respect of the Brighton Wheel, Volks Railway and seafront events.

## Communities - Capital Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Commissioner - Sports & Leisure	177	177	0	0.0%
310	Delivery Unit - Tourism & Leisure	2,305	2,868	563	24.4%
310	Total Capital Communities	2,482	3,045	563	22.7%

## Communities - Capital Budget Summary

### Variations to Budget

#### Commissioner – Sports & Leisure

##### King Alfred – Health & Safety Works (£0.423m)

The initial programme timeline was challenging but it was envisaged that the works could be completed by the end of the financial year. However after procuring the contractor during the Christmas period there were delays to the programme for unforeseen problems with the flooring. When works commenced the contractors discovered issues with the existing base. Sections of tiling and screed had become loose and the entire area needed to be cleared back to the concrete base and then re-screeded. This in turn affected the drainage channels and drainage runs which caused more delays. The works have now been pushed back by the contractor from the original completion date in March to the end of April.

#### Delivery Unit – Tourism and Leisure

##### New Historical Records Office (The Keep) (£0.252m)

This is a joint project in partnership with East Sussex County Council and the University of Sussex. There has been good progress on construction works that began in October 2011 and practical completion is due by May 2013. Construction and development costs are forecast to be within the overall project budget and the Council element within the agreed capital contribution.

The budget is based on cash flow forecasts provided by East Sussex County Council and although the rate of progress is good, the spending pattern has been later than anticipated.

##### Reprofiles under (£0.050m)

#### Delivery Unit – Tourism and Leisure

A reprofile of Royal Pavilion Toilet Facilities (£0.030m) is required.

**Slippage over £(0.050m)****Delivery Unit – Tourism and Leisure****Volks Railway shed (£0.245m)**

The estimated cost currently exceeds the allocated budget. The scheme is being redesigned to fit the budget and it is anticipated that work will be undertaken at the end of the summer season.

**International Financial Reporting Standards (IFRS) Accounting Changes**

International Financial Reporting Standards (IFRS) requires expenditure that does not enhance the building or asset to be charged to revenue. These adjustments are processed at the year end and budgets and actual spend are amended accordingly alongside any additional Direct Revenue Funding (DRF) contributions where necessary. For 'Communities' there are changes of (£0.144m) for various social inclusion, housing and traffic schemes.

**Museums Acquisitions (Heritage) £0.219m**

Heritage assets are now separated out from other assets in the Statement of Accounts following adoption of the Financial Reporting Standard 30 in 2011/12. Heritage Assets are held principally for their contribution to knowledge or culture and in 2011/12 museums acquired a significant Turner painting from auction which is required to be added to the capital programme. This is an accounting change that does not impact on capital resources.

**Overspends****Delivery – Tourism & Leisure****Brighton Centre Façade £0.565m**

There are four key reasons for the increase in capital expenditure which are as follows: Firstly the initial cost estimates undervalued the actual work. More recent estimates completed as part of ongoing major project work on the Brighton Centre estimated these works at nearly double the original value. Secondly there were additional items and variations that could not be anticipated including unforeseen excavation works and concreting costs. Thirdly there were additional direct costs incurred as a result of delays caused by the contractors, which included additional scaffold costs for example. Finally, there were additional indirect costs incurred as a result of delays which were required to avoid event cancellation and which included 24 hour working by contractors and the erection of temporary structures.

Although the project is visibly complete, not all aspects are complete to our satisfaction and a number of issues are as yet to be resolved. It is for these reasons that it is not currently possible to say whether the final costs of the project will come down as legal considerations and contractual obligations are still being considered.

Discussions are still ongoing with the contractor regarding final contract sums. In the interim, £0.307m of the additional costs has been funded from the Brighton Centre Reserve and £0.258m has been funded by a revenue contribution from the Tourism and Leisure Delivery Unit. As soon as the work is complete to the client's satisfaction and all

legal positions have been considered it is possible that the capital position may improve. Future bookings have improved significantly on the back of the work which will sustain not only the city's economy but improve the revenue position for the Centre going forward.

**Underspends / overspends of under (£0.050m)**

Various schemes within Delivery – Tourism and Leisure underspent by (£0.002)m overall.

## Resources & Finance - Revenue Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(273)	Delivery Unit – City Services	12,966	12,469	(497)	-3.8%
(355)	Housing Benefit Subsidy	(738)	(1,289)	(551)	-74.7%
357	Resources	18,349	18,317	(32)	-0.2%
(125)	Finance	6,391	6,143	(248)	-3.9%
0	Strategic Leadership Board	1,140	1,098	(42)	-3.7%
(396)	Total Revenue – Resources & Finance	38,108	36,738	(1,370)	-3.6%

### Explanation of Key Variances

#### Delivery Unit – City Services

The City Services underspend is £0.497m which is an improvement of £0.224m since month 9

The improvement is due to increased income collection and staff vacancies within the Revenues and Benefits team in line with planning for the change in grant funding and the overachievement of land charges and other earned income.

The underspend is offset by a provision in Library Services of £0.114m against potential redundancy and severance costs associated with the delivery of planned savings in 2012/13.

#### Housing Benefit Subsidy

The corporate critical Housing Benefit budget has generated an additional £0.551m in subsidy, as local authority errors were held below the government threshold and therefore attracted additional subsidy. This has improved by £0.196m from month 9 largely due to more overpayments being recovered than anticipated.

#### Resources

The net underspend across Resources is £0.032m, of which the main variances are on the following areas: -

#### **Human Resources (£0.111m overspend)**

The overspend is £0.111m, representing an improvement of £0.149m from Month 9. The overspend is mainly as a result of the significant budget pressures in the People Centre. Human Resources have worked hard to improve the position in advance of the review of systems and services in 2012/13.

#### **Communications (£0.057m overspend)**

The overspend of £0.057m for 2011/12 is unchanged from Month 9 and represents a significant improvement in the 2010/11 overspend of £0.459m. This significant improvement is largely a result of the consolidation of communications activities now coming to fruition as originally set out in the Communications Value for Money programme.

The consolidation process has brought about greater economies of scale across communications e.g. greater management of demand, more efficient procurement and revenue

generated from greater use of in-house design, print & sign functions, and better forward planning of strategic communications activities aligned with specified budgets. This has been a complex and challenging piece of work given the scale (spanning the entire council) but the outcome has led to a more efficient service offering best practice communications.

Additionally, total spend on communications continues to reduce across the organisation as a result of the work done to focus communications, improve consistency, reduce the number of communication's suppliers and integrate communications from different parts of the council.

### **Property & Design (£0.178m underspend)**

The underspend of £0.178m, represents an improvement of £0.231m from Month 9. NNDR Business Rate refunds for Priors house £0.094m and Bartholomew House £0.056m were approved by the valuation office in the last few weeks of the financial year. This and increases in professional fees and fortuitous rental income of £0.048m has resulted in the underspend reported.

### **Policy, Performance & Analysis (£0.048m overspend)**

There was an overspend of £0.048m mainly relating to partnership working.

### **ICT**

The outturn is a small overspend of £0.061m.

### **Legal & Democratic Services**

The outturn is an under spend of £0.131m. The improvement of £0.095m from Month 9 is a combination of greater than anticipated income generation, primarily from increased recovery of court costs, one-off income from property and planning related transactions coupled with savings resulting from delaying recruitment to vacant posts.

### **Finance**

The outturn is an underspend of £0.248m.

Internal Audit & Business Risk were previously reporting an underspend of £0.062m primarily due to staffing vacancies, which has increased by a further £0.018m at year-end. The Financial Services underspend of £0.154m has increased by £0.091m since Month 9 due to continuing vacancy management in support of a service restructure to meet 2012/13 savings requirements together with lower than anticipated bank and security carrier charges. There was also increased contract income in the latter part of the year for additional services to the Schools Forum and for interim Financial Support Services provided to South Downs National Park Authority.

### **Strategic Leadership Board**

The outturn is an underspend of £0.042m.

## Resources & Finance - Capital Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Delivery Unit - City Services	107	116	9	8.4%
-150	Resources	3,946	4,020	74	1.9%
0	Finance	51	51	0	0.0%
-150	Total Capital Resources & Finance	4,104	4,187	83	2.0%

## Resources & Finance - Capital Budget Summary

### Critical Budget – Accommodation Strategy (reprofile of £0.093m)

Phase One of the Accommodation Strategy (Workstyles), which involved the vacation of Priory House and creation of the new Customer Service Centre and refurbishment of three floors of Bartholomew House had a total budget of £3.720m which was funded from a combination of borrowing and Asset Management Fund.

The project included building works, staff moves, decants, furniture, ICT and telephony and was completed £0.093m under budget. This underspend will be used in Phase Two of Workstyles in the 2012/13 financial year.

### Variations

#### Finance – Financial Services

##### Replacement of FIS System (£0.139m)

Work associated with the implementation of new features and processes surrounding the Financial System continued through 2011/12. However a number of these projects were prolonged due to complex testing requirements and working with ICT colleagues and the supplier to determine and resolve the most efficient processing solutions. Testing has been successfully concluded and the projects are now near completion. However, this has meant delays to some payments into early 2012/13.

#### Delivery – City Services

##### Replacement of Coroner's Vehicle (£0.050m)

There have been delays in the specification being prepared and it is now anticipated that the purchase will be completed by the end of the first quarter of 2012/13, based on the manufacturers timescale for delivery of up to 12 weeks.

#### Resources – Property

##### Madeira Lift Re-roofing (£0.091m)

Works are in progress on site but the start was delayed in January when the main contractor's specialist copper sub-contractor withdrew from the contract.

### **Variations under £0.050m**

Minor reprofiles are requested for the following Resources projects:

- Human Resources: HR System (£0.018m),
- ICT: Information Management (£0.049m), Communications (£0.046m) and VfM Workstyles (£0.046m),
- Policy, Performance & Analysis: Interplan development (£0.010m),
- Property & Design: Portslade Town Hall (£0.046m). Brighton Town Hall Fire Evacuation Lift (£0.039m), King's House Accommodation (£0.029m), Statutory DDA works (£0.015m), HTH Flat roof works (£0.006m) Corporate fire Assessments (£0.006m),
- Delivery Unit - City Services: Replacement of library booking system of £(0.024m).

### **International Financial Reporting Standards (IFRS) Accounting Changes**

International Financial Reporting Standards (IFRS) requires expenditure that does not enhance the building or asset to be charged to revenue. These adjustments are processed at the year end and budgets and actual spend are amended accordingly alongside any additional Direct Revenue Funding (DRF) contributions where necessary. For 'Resources' there are changes of (£0.491m) for various social inclusion, housing and traffic schemes.

### **Overspends under £0.050m**

Various projects within the Delivery Unit – City Services and Resources areas had small overspends totalling £0.083m which were all funded by Direct Revenue Funding.

## Corporate Budgets - Revenue Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
100	Bulk Insurance Premia	2,678	2,920	242	9.0%
(380)	Concessionary Fares	9,660	9,252	(408)	-4.2%
155	Capital Financing Costs	5,149	5,354	205	4.0%
0	Levies & Precepts	166	167	1	0.6%
1,422	Corporate VfM Savings	(2,463)	0	2,463	100.0%
(1,746)	Risk Provisions	1,125	0	(1,125)	-100.0%
28	Other Corporate Items	(30,608)	(29,470)	1,138	3.7%
(421)	Total Revenue - Corporate Budgets	(14,293)	(11,777)	2,516	17.6%

## Explanation of Key Variances

**Bulk Insurance Premia**

This area now shows an overspend of £0.242m compared to a forecast underspend of £0.100m at Month 9. The reason for this change is that a contribution of £0.354m was made to the Insurance Fund as part of year end accounting processes. This was because there is a potential increased liability depending on the outcome of some legal cases nationally in relation to asbestos.

**Concessionary Fares**

The provisional outturn is an underspend of £0.408m. This mainly relates to fixed deal agreements with Brighton & Hove Bus & Coach Company and Stagecoach South, agreed by Cabinet on 9th June, being lower than the budget provision. The underspend has increased by £0.028m since Month 9 due to final journey numbers being lower than anticipated.

**Capital Financing Costs**

The overall overspend is £0.205m. This is due mainly to a lower than projected recharge to the Housing Revenue Account for interest on borrowings. HRA borrowing in 2010/11 was £6.000m lower than projected and coupled with short-term interest rates remaining lower than projected at the time of agreeing the 2011/12 budget, has resulted in a reduction in the recharge. The overspend has increased by £0.050m since Month 9 due to a further reduction in the level of HRA borrowing.

**Levies & Precepts**

The provisional outturn is an overspend of £0.001m.

**Corporate VfM Projects**

A number of VfM projects relate to council-wide projects which will deliver savings across many, if not all, service areas. The associated savings targets are shown under Corporate Budgets awaiting allocation to individual service budgets as and when savings are identified and/or confirmed. If all savings had been identified and achieved in 2011/12, the Corporate VfM Projects savings target above would have reduced to zero by the end of

the financial year. At outturn, monitoring of VfM projects indicates that approximately £1.463m of corporately held VFM project savings (against a target of £3.289m) were not achieved or are still to be identified in 2012/13 as follows:

- The implementation of other initiatives including Workstyles, Customer Service changes (mainly on-line developments) and many other service changes (e.g. some emanating from other Value for Money projects) meant that the capacity to undertake Systems Thinking reviews at the same time was severely hampered in 2011/12. These reviews will now commence in 2012/13, starting in Human Resources, and rather than having a direct cash saving target, will instead be used to 'enable' services to deliver efficiency and other related savings in 2012/13, 2013/14 and beyond.
- The achievement of the Management & Administration saving was underpinned by a Voluntary Severance Scheme (VSS). The outcome of the Scheme, in financial terms, indicates that approximately £1.142m has been achieved against a target of £1.750m in 2011/12. However, services have taken other one-off recovery measures to completely offset this shortfall in 2011/12. More important is the full-year saving impact in 2012/13 which currently indicates that substantial savings of £3.086m against the target of £3.500m have been identified. Services with further savings to make will either achieve this through further service redesign or through identified financial recovery measures.
- A series of Carbon Reduction initiatives were considered and are still being pursued in some cases to reduce future energy cost pressures as prices increase. However, as previously reported, government changes to various schemes, primarily the Feed-in Tariff scheme, meant that schemes could not proceed given the high financial risks and that potential savings would not therefore materialise in 2011/12. The focus of the programme is now on reducing future energy usage and the council's carbon footprint. This links strongly to the Workstyles project and the reduction in accommodation use associated with that initiative.
- The Procurement project previously identified an increased risk resulting partly from a reduction in overall procurement activity in corporate areas due to spending constraints which reduced potential savings opportunities compared with previous years. £0.355m remains unidentified this year against corporate contract areas, however, offsetting additional procurement savings of £0.277m have been facilitated across front-line service areas which are reflected in the overall TBM position at outturn. Proposals for addressing the remaining shortfall are currently being drawn up for delivery in 2012/13.

The overspend against Corporate VfM savings includes a contribution of £1m to the Customer Access and Accommodation (Workstyles) reserve to support the transfer to the new Wide Area Network as outlined in the report to Cabinet on the 14<sup>th</sup> July 2011 which set out that funding was required to be identified for this commitment.

### **Risk Provisions**

The overall position on Risk Provisions is an underspend of £1.125m compared to an underspend of £1.746m at Month 9. This movement of £0.621m is largely the result of contributions made to reserves of £0.350m for capital financing costs as a result of the changing profile of debt between the General Fund and HRA, £0.250m for single status costs (funded from the saving through strike pay deductions) and £0.100m for Criminal Records Bureau (CRB) check costs which were committed on a rolling basis following the Ofsted inspection in 2011/12.

There were one-off risk provisions of £0.800m and these were fully spent. Of this, the major allocations were £0.280m for costs associated with Microsoft licence requirements following an audit and £0.152m for additional costs of the Carbon Reduction Commitment (CRC) scheme implementation. Further allocations were used to fund preparatory works at the Prince Regent and Withdean Sports Complex schemes (£0.108m), the Playbuilder capital scheme following a shortfall of S106 funding (£0.098m) and costs associated with immediate CRB compliance (£0.089m).

There was a permanent risk provision of £0.750m relating to grants ending and this was not required in 2011/12. It was therefore released to support the overall position.

There was £1.250m of permanent risk provision, of which £0.625m was released to support the overall budget position. Of the remainder £0.625m was used on a one-off basis to offset the shortfall in the Advertising and Sponsorship contract income target (£0.250m), the VfM Phase 3 Stretch target (£0.250m) and VfM Management & Administration savings (£0.125m).

In addition, there was £0.400m of one-off risk provision for Children's and Adults services which was not required and was transferred to general reserves.

An underspend of £0.349m (an increase of £0.049m) has been achieved on the financing costs for the new Historic Records Centre. The budget projections assumed the majority of the capital funding would be needed in 2011/12 and as this expenditure is funded from borrowing the financing costs were set aside in contingency. It has now been confirmed that capital payments will not be made this year and no financing costs will be incurred.

There is an underspend of £0.101m on general contingency which is an increase of £0.030m since Month 9. The majority of the contingency underspend is as a result of unrequired grant pressure funding of £0.075m being identified.

### **Other Corporate Items**

There is an overspend of £1.138m which is an increase of £1.110m compared to month 9.

Of this, £0.275m relates to actuarial costs for staff transferring under the sports and leisure contracts and £0.865m relates to dilapidations.

A number of increased or new dilapidation estimates have been received in relation to leased properties that the council is planning to vacate to reduce annual costs, reduce carbon footprint and support the Workstyles VfM projects to improve office productivity (through technology), increase flexible working arrangements and utilise space more efficiently.

Dilapidations relate to the costs of repairing or returning leased properties back to an agreed condition in accordance with the terms of the lease. For accounting purposes, under current financial reporting standards, these costs must be recognised when the financial liability is both known and can be reasonably estimated. Increased provisions are required for the following leased properties:

#### Priory House (Workstyles Phase 1)

A provision of £0.600m has already been set aside, however, latest estimates from the landlord are £0.850m together with costs/fees of circa £0.050m. This is still subject to

negotiation and settlement and final costs may be reduced. At this time, it is therefore recommended to increase the provision by £0.200m to give a total of £0.800m.

### Workstyles Phase 2

A number of leased properties are being vacated as part of the workstyles phase 2 VFM project. Dilapidations estimates for Hove Park Mansions (£0.085m), Havesham House South and North (£0.088m) and Ovest House (£0.337m) need to be recognised in the accounts.

### Denmark Villas

This building is expected to be vacated for future workstyles phases and the lease is expected to end in September 2014 with potential dilapidations costs of £0.155m. Since this liability can reasonably be estimated now, financial reporting standards require that this provision be recognised.

A total increase in dilapidations provisions of £0.865m is therefore needed to cover current and future liabilities.

## NHS Trust Managed S75 Budgets - Revenue Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(137)	NHS Trust managed S75 Services	14,168	13,629	(539)	-3.8%
(137)	Total Revenue - S75	14,168	13,629	(539)	-3.8%

### Explanation of Key Variances

(Note WTE = Whole Time Equivalent)

### S75 NHS Trust Managed Budget (£0.539m underspend)

NHS Trust managed budgets show an underspend of £0.539m, as detailed below. This results in the council contribution to these arrangements being reduced and being available for general reserves.

The underspend of £0.289m against Sussex Partnership NHS Foundation Trust (SPFT), represents 50% of the total underspend (£0.578m) against the pooled budget. The remaining 50% has been paid to SPFT in accordance with the agreed risk-share arrangements for this partnership and to reflect the positive action to manage the pressures across the Community Care budget for Mental Health services.

The financial recovery plan shows total savings of £1.212m have been delivered during the year. The savings against Community Care of £0.705m relate mainly to holding provider fees at previous levels and increased levels of Continuing Health Care funding. Mainstream services show savings of £0.507m from staff savings through vacancy management, a review of social care input into Access Services and the decommissioning of the enhanced element of the Integrated Community & Advice Support Team (EICAST).

Sussex Community NHS Trust are reporting an underspend of £0.248m, which is an improvement of £0.178m from Month 9. Positive action has been taken to both reduce costs within Intermediate Care and reduce spend on equipment within ICES. The provisional outturn shows staffing pressures within Intermediate Care service (£0.012m) and savings against the ICES budget of £0.085m. The overall position has been further improved by savings of £0.175m against the HIV budget, where client numbers are less than budgeted (£0.078m saving) together with commissioning and staffing budget underspends of £0.098m.

## Housing Revenue Account - Revenue Budget Summary

Forecast Variance Month 9 £'000		2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
	<b>Housing Revenue Account</b>				
(463)	Employees	9,187	8,615	(572)	-6.2%
(308)	Premises – Repair	11,031	10,493	(538)	-4.9%
45	Premises – Other	3,350	3,330	(20)	-0.6%
(184)	Transport & Supplies	2,022	1,553	(469)	-23.2%
(9)	Support Services	2,210	2,143	(67)	-3.0%
3	Third Party Payments	54	77	23	42.6%
-	Revenue contribution to capital	3,498	3,498	-	0.0%
(123)	Capital Financing Costs	4,268	4,039	(229)	-5.4%
14	Subsidy Payable	14,710	14,430	(280)	-1.9%
(1,025)	Net Expenditure	50,330	48,178	(2,152)	-4.3%
37	Dwelling Rents (net)	(44,213)	(44,130)	83	0.2%
35	Other rent	(1,240)	(1,208)	32	2.6%
52	Service Charges	(3,354)	(3,353)	1	0.0%
(19)	Supporting People	(465)	(483)	(18)	-3.9%
31	Other recharges & interest	(1,058)	(1,023)	35	3.3%
136	Net Income	(50,330)	(50,197)	133	0.3%
<b>(889)</b>	<b>Total</b>	<b>-</b>	<b>(2,019)</b>	<b>(2,019)</b>	

## Explanation of Key Variances

The Provisional Outturn for 2011/12 is an underspend of £2.019m compared to an underspend of £0.889m reported at month 9. This is in line with the commissioning framework for the Housing Revenue Account and the cost reduction strategy which aims to reduce costs to enable reinvestment in services which tackle inequality and improve homes and neighbourhoods. This is being addressed in the budget strategy for 2012/13 which includes the commissioning of new services to promote financial inclusion as well as the use of reserves to build new social housing on old garage sites.

Analysis of the provisional outturn variances are as follows:

- The employees budget underspend has increased from £0.463m at month 9 to £0.572m of which £0.227m is in relation to TUPE costs for Property & Investment staff. TUPE costs were included in the 2011/12 HRA budget but then not required as the actual costs were lower than anticipated and therefore fully paid in the last financial year. There are further underspends on vacancies and pensions costs throughout Housing Management due to the pending restructure of Housing and Social Inclusion and also underspending of £0.086m in Housing Strategy.

## Appendix 1

- The Premises Repairs budget has underspent by £0.538m compared to a projected underspend of £0.308m reported at month 9. The underspend includes the following significant variances:
  - A saving on the gas servicing and maintenance contract of £0.327m as a result of the rebasing of the open book contract value following the achievement of savings during the last financial year. This underspend has increased since month 9 by £0.111m following the completion of the gas open book audit which resulted in further savings being achieved.
  - A reduction in the overhead costs for the Repairs Partnership contract of £0.059m as a result of efficiencies in the contract.
  - An underspend on the costs of repairs to empty properties by £0.207m due to a reduction in the number of routine empty properties coming through the lettings cycle since the commencement of Brighton Seaside Homes. The on-going reduction in this expenditure is reflected in the 2012/13 budget.
  - An overspend of £0.052m for responsive repairs. This has reduced since the month 9 forecast of £0.123m due to the continued reduction in the average unit cost of repairs and mild weather up to March 2012.
- The Premises-other budget has underspent by £0.020m compared to an overspend of £0.045m forecast at month 9. This includes the following significant variances:
  - An overspend on insurance costs of £0.304m. A recent review by the Council's insurance team identified a new recharge to the HRA of £0.329m in relation to the costs of repairing homes damaged by fire, flood etc. below the insurance excess of £25k. This recharge relates to costs borne over the last three years which were in excess of the budget. Provision of £0.120m has been made for the additional on-going costs in the 2012/13 budget strategy.
  - An underspend of £0.255m in relation to the accruals for gas and electricity. Prudent accruals were made in the last financial year due to billing problems with the supplier at that time. These are no longer required under the new contractual arrangements.
  - An underspend of £0.053m on the rental cost and business rates of the Housing Centre due to it opening later than anticipated at budget setting time.
- The Transport & Supplies underspend has increased by £0.284m to £0.469m and relates to the following variances:
  - An underspend of £0.135m (£0.100m reported at month 9) in the contribution towards the provision for bad debt. This has resulted from an improvement in the collection of rent during 2011/12 which has led in turn to a reduction in the rent arrears total, year on year. There are early indications that arrears may increase over the coming months due to

the current economic climate and benefit changes so this will be closely monitored for 2012/13.

- An underspend on professional and consultancy fees within property and investment of £0.123m (£0.084m reported at month 9). These costs were anticipated at budget setting for the procurement of the new service contracts. Work on some of these contracts has been carried out in-house and some contracts will now be let during 2012/13.
  - An underspend of £0.055m in the costs associated with the transfer incentive scheme due to a reduced level of take-up to that anticipated at budget setting time. This is in large part due to the Sheltered Local Letting plan where priority for sheltered units is given to current tenants already in sheltered accommodation therefore leaving the less popular units for those tenants wanting to transfer from family size homes into sheltered accommodation.
  - An underspend on legal fees relating to leaseholders disputes of £0.038m.
  - Further underspends of £0.108m have arisen relating to professional fees, and efficiencies achieved from the consolidation of stationery and general office expenses budgets and staff embracing the cost reduction culture.
- 
- Capital Financing costs have underspent by £0.229m compared to an underspend of £0.123m reported at month 9. The increased underspend is due to reduced costs of borrowing as a result of some capital projects being delayed (re-profiled) until the following financial year.
  - The amount of subsidy payable to the Government is underspent by £0.280 compared to an overspend of 0.014m reported at month 9. This is mainly due to an increase in the subsidy allowance for capital financing costs by the Government as a result of an increase in the consolidated rate of interest by 0.17% since the last forecast.
  - Income is less than budgeted by £0.133m due to a number of minor variances including:
    - Reduced rental income (£0.083) as a result of properties transferring or awaiting transfer to Seaside Community Homes;
    - Reduced rental income from garages and car parks (£0.035m) due to an increase in the level of empty garages/spaces in the current economic downturn. £0.018m relates to a reduction in income from St. James Street Car Park due to the closures for maintenance works this year.