

Subject:	Targeted Budget Management (TBM) 2015/16 Month 9		
Date:	11 February 2016		
Report of:	Acting Director for Finance & Resources		
Contact Officer:	Name:	James Hengeveld	Tel: 29-1242
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

- 1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out the projected forecast risk as at Month 9 (December) on the council's revenue and capital budgets for the financial year 2015/16.
- 1.2 The overall position has continued to improve from Month 7 as directorates work toward achieving the improvement targets outlined in the report to Special Policy & Resources Committee on 4 November 2015. The risk on council-controlled budgets is now down to £0.452m, however, there remains a risk of £0.489m on the S75 health partnership budget, primarily relating to mental health services. The S75 position is being closely monitored and ongoing discussions are being held with health partners to consider options for covering this risk.
- 1.3 Members will note from previous reports that the position has improved through a combination of one-off measures as well as increased financial and recruitment controls which must continue to be applied in order to achieve the projected outturn or better. This can be seen in the graph at paragraph 3.6 which clearly shows that underlying trends on corporate critical budgets, particularly social care, are not shifting significantly and this situation will need to be taken into account in setting the 2016/17 budget.
- 1.4 Financial performance is kept under review on a monthly basis by the Cross-Party Budget Review Group and the management and treatment of forecast risks is considered by the Audit & Standards Committee.

2 RECOMMENDATIONS:

It is recommended to:

- 2.1 Note the forecast risk position for the General Fund, which indicates a budget pressure of £0.941m. This consists of £0.452m on council controlled budgets and £0.489m on the council's share of the NHS managed Section 75 services.

- 2.2 Note the forecast for the Housing Revenue Account (HRA), which is an underspend of £0.874m.
- 2.3 Note the forecast for the Dedicated Schools Grant which is an underspend of £0.108m.
- 2.4 Note the forecast outturn position on the capital programme.
- 2.5 Approve the capital programme variations and reprofiles in Appendix 4 and new capital schemes in Appendix 5.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Targeted Budget Management (TBM) Reporting Framework

- 3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy & Resources Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending together with more regular monitoring of high risk 'corporate critical' areas as detailed below.
- 3.2 The TBM report is normally split into 8 sections as follows:
 - i) General Fund Revenue Budget Performance
 - ii) Housing Revenue Account (HRA) Performance
 - iii) Dedicated Schools Grant (DSG) Performance
 - iv) NHS Controlled S75 Partnership Performance
 - v) Capital Investment Programme Performance
 - vi) Capital Programme Changes
 - vii) Implications for the Medium Term Financial Strategy (MTFS)
 - viii) Comments of the Director of Finance (statutory S151 officer)

General Fund Revenue Budget Performance (Appendix 1 & 2)

- 3.3 The table below shows the forecast outturn for Council controlled revenue budgets within the General Fund. Appendix 1 provides a summary of the movements from Month 7 and a more detailed explanation of the variances can be found in Appendix 2.

Forecast Variance Month 7 £'000	Directorate	2015/16 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
2,354	Children's Services	55,335	57,266	1,931	3.5%
2,809	Adult Services	67,030	70,141	3,111	4.6%
(65)	Environment, Development & Housing	30,884	30,657	(227)	-0.7%
(489)	Assistant Chief Executive	15,499	14,890	(609)	-3.9%
(324)	Public Health (incl. Community Safety & Public Protection)	5,134	4,786	(348)	-6.8%
(2,002)	Finance, Resources & Law	29,569	27,356	(2,213)	-7.5%
2,283	Sub Total	203,451	205,096	1,645	0.8%
(1,172)	Corporate Budgets	6,565	5,372	(1,193)	-18.2%
1,111	Total Council Controlled Budgets	210,016	210,468	452	0.2%

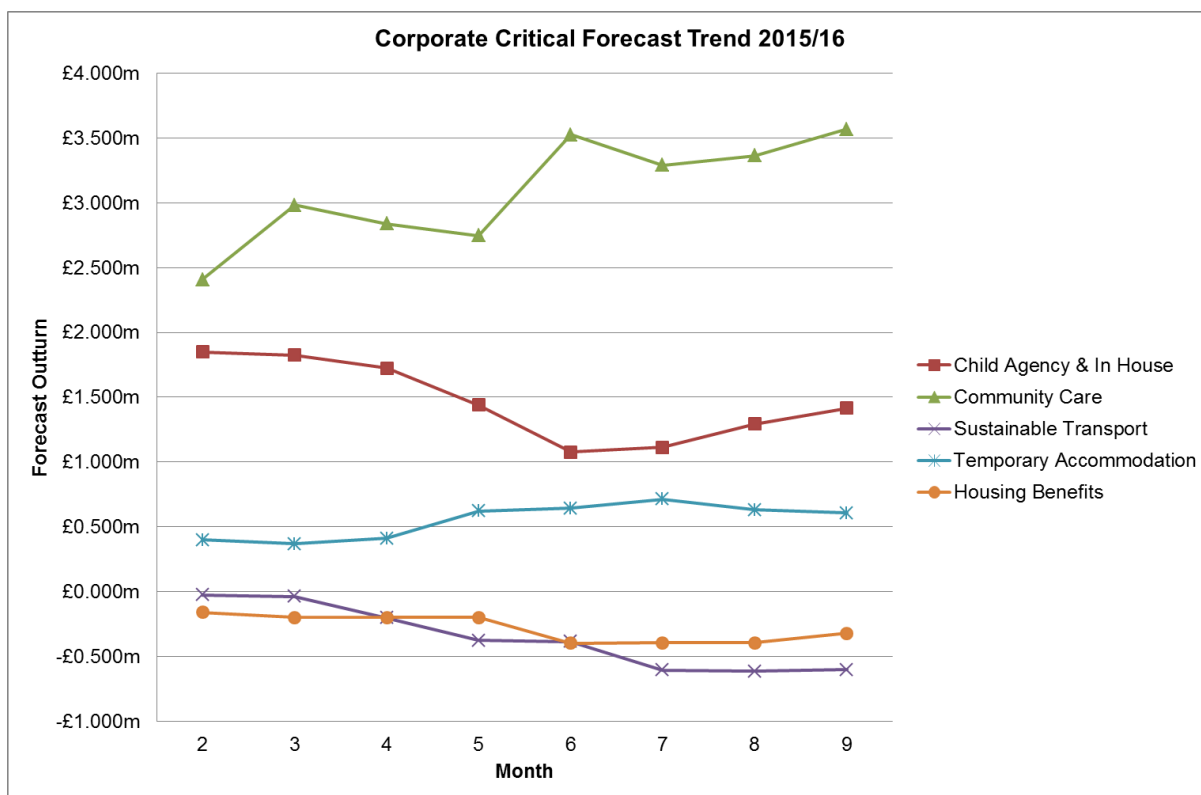
- 3.4 The General Fund includes general council services, corporate budgets and central support services. Corporate budgets include centrally held provisions and budgets (e.g. insurance). General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools).

Corporate Critical Budgets

- 3.5 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict and where relatively small changes in demand can have significant implications for the council's budget strategy. These therefore undergo more frequent and detailed analysis. The Community Care figures in the table below exclude one-off Care Act funding of £2.147m.

Forecast Variance Month 7 £'000	Corporate Critical	2015/16 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
1,112	Child Agency & In House Placements	20,454	21,870	1,416	6.9%
3,291	Community Care	39,632	43,202	3,570	9.0%
(607)	Sustainable Transport	(17,029)	(17,632)	(603)	-3.5%
712	Temporary Accommodation	993	1,599	606	61.0%
(397)	Housing Benefits	(637)	(960)	(323)	-50.7%
4,111	Total Corporate Critical	43,413	48,079	4,666	10.7%

3.6 The forecast trend on Corporate Critical Budgets over the year-to-date is shown in the graph below. It indicates that Adult Social Care and Temporary Accommodation pressures have grown over the year while Children’s has improved, although it is now on an upward trajectory. These corporate critical trends also clearly indicate that overall improvements to the council’s financial forecasts are largely being achieved through reductions elsewhere.



Summary of the position at Month 9

The main pressures reported at Month 9 continue to be across Children’s and Adults social care and Homelessness (Temporary Accommodation) as follows:

3.7 **Children’s Services:** There continues to be increased pressure on the children’s social care system both within Brighton and Hove and nationally. This is as a consequence of increased awareness of child abuse and child sexual exploitation following a number of high profile cases nationally. The age range with the largest increase are adolescents who can present quite problematic needs. The national increase in 2013/14 was 10.8% in referrals and a 12.1% increase in children subject to a child protection plan and it is believed this has continued to increase nationally this year. In Brighton and Hove there have been increases as a consequence of introducing improvements in the referral process following the start of the Multi Agency Safeguarding Hub (MASH). The most recent data shows that between March 2015 and June 2015 there was an increase in the number of assessed children from 673 to 976.

3.8 Overall, this is causing a cost pressure of £1.158m on social services staffing and £1.166m on placement budgets (as above). Together with risks of £0.679m on savings plans, and other underspending of £1.072m, this explains the forecast risk of £1.931m at Month 9.

- 3.9 **Adults Services:** The service is facing a significant financial challenge in 2015/16 in mitigating the pressures arising from the 2014/15 overspent position, and managing in year demand alongside implementing the Care Act, developing integration plans through the Better Care programme and completing the Learning Disabilities Review.
- 3.10 The forecast TBM risk at month 9 of £3.600m has increased by £0.249m from month 7. Within this increase, budgeted savings of £1.019m have been put at risk since Month 7 which has been mitigated by managing demand for and cost of community care placements and management control of essential spending across Provider Services. The forecast risk includes the following main elements that are described in more detail in Appendix 2:
- Approved budget savings of £8.101m at Month 9 are projected to fall short of the target by £0.898m with further risks against the remaining anticipated savings of £0.657m which rely on continued achievement of reduced placement costs and application of appropriate funding sources.
 - In year spend has been reduced by £1.788m as a result of the action taken to manage demand for and cost of community care placements, improved forecasting through data quality checks, increased scrutiny and management controls and funding from health that has been agreed. Whilst there is a level of confidence that this reduction can be delivered for placements for older people there are continuing risks on placements for people with learning disabilities or mental health needs due to the volatility of demand.
 - The in year forecast includes the use of one-off funding identified for the Care Act implementation of £2.210m which has been applied to support the investment required to deliver the savings plans. There is a subsequent risk in 2016/17 on the savings as a result of the investment being non-recurrent.
 - There are unachieved savings from previous years of £3.184m across Assessment and Provider services for which mitigating recovery plans have been developed, including the Learning Disability Review, and at month 9 there is a significant risk against £2.694m of these savings (as reflected in the forecast overspend).
 - The main area of forecast risk concerns service pressures identified at the beginning of the year of £3.783m relating to increased complexity of need, increased cost of transitions cases, pressures on the Provider Services budget and Deprivation of Liberty cases. At month 9 there is a significant risk against £3.668m of the plans against these pressures (as reflected in the forecast overspend). There is a financial and reputational risk to the Council if the Deprivation of Liberty cases are not assessed and authorised in accordance with Care Act requirements.
 - The Better Care Fund underspend has been assumed to cover the overspend against the new community equipment contract. There is potential for a proportion of the remaining underspend to be allocated

against residential and nursing care placements and making use of this flexibility to achieve agreed outcomes.

- 3.11 The funding of all packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet customer aspirations, this forms a key part of the savings implementation plan. Adult Services are also using benchmarking information to support the driving down of unit costs but are faced with increased complexity and growth. Through regional and other social care networks we have been looking at best practice in delivering cost effective services in order to influence future direction - this includes demand management and identifying opportunities through Housing.
- 3.12 As described, there are significant risks still present within the forecast as at December 2015. In the last quarter (January to March) there is potential for a spike in demand especially with the pressure on the local hospitals and the need to support the local health economy. In addition it may be necessary to invest in the care market to ensure that care needs can be met. Discussions with the Clinical Commissioning Group to mitigate against these financial risks are ongoing.
- 3.13 **Housing Services and Temporary Accommodation:** There is a £0.586m pressure mainly relating to the ongoing need to spot-purchase expensive bed and breakfast accommodation which has been made worse by the need to hand back 54 leased properties so far this year. This reflects growing homelessness and the difficulty of securing affordable private rented homes in the city to meet the council's statutory housing obligations in a period of rapidly rising house and private rent prices. With the new framework in place, more cost effective leased properties are being procured but these are not keeping pace with demand. Therefore the need to spot purchase nightly temporary accommodation has not reduced as originally forecast.
- 3.14 The review of properties with Adults and Children's services clients has not resulted in any properties being released. Although 100 new leased properties have just been procured it will take some months before these become available. Other landlords with fewer properties are also being approached with a view to expanding the leased property portfolio. Housing services (General Fund) also have a number of undeliverable savings (£0.140m) which has contributed to the Housing overspend position.

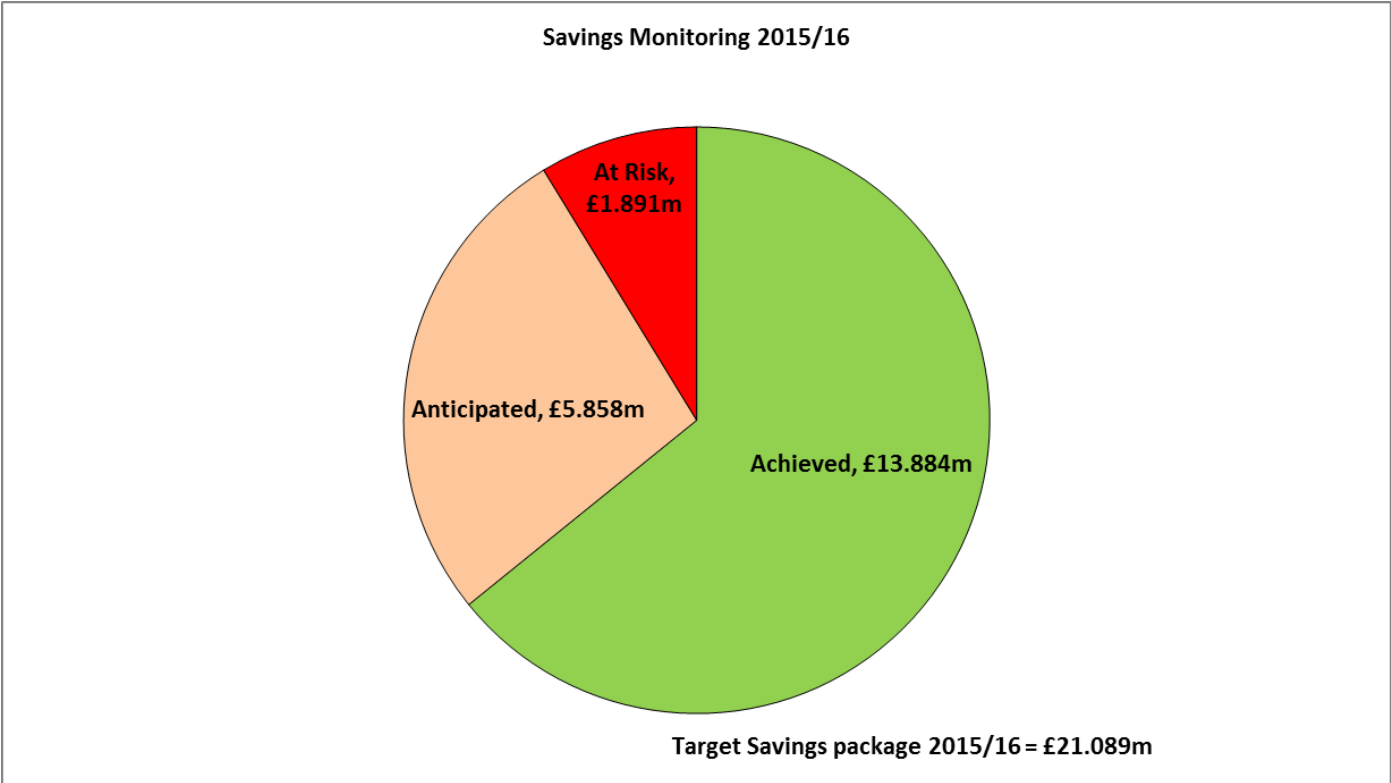
In Year Improvement Targets

- 3.15 Special Policy & Resources Committee on 4th November agreed improvement targets of £4.751m intended to bring the council's position back into balance by the year end. The overall position since Month 6 (when the targets were set) has improved by £3.810m and most of this (£3.495m) is due to measures taken as part of the improvement targets. The table below summarises performance against those targets.

	Improvement Target £'000	Target Achieved £'000	(Over) / Under Achieved £'000
Children's Services	(987)	(820)	167
Adult Services	(1,631)	(795)	836
Environment, Development & Housing	(826)	(517)	309
Assistant Chief Executive	(349)	(349)	0
Public Health	(217)	(217)	0
Finance & Resources and Law	(741)	(797)	(56)
Total Council Controlled	(4,751)	(3,495)	(1,256)

Monitoring Savings

- 3.16 The savings package approved by full Council to support the revenue budget position in 2015/16 was £21.089m (£24.852m in a full year). This is a very large savings package and follows 4 years of substantial packages totalling nearly £77.000m. Achievement of savings programmes and actions in 2015/16 is closely monitored to ensure satisfactory progress and avoid adding to financial pressures in future years through non-achievement.
- 3.17 Appendix 3 provides a summary of savings in each directorate and indicates in total what has been achieved, is anticipated to be achieved, or is at risk. Details of savings at risk are also provided. The graph below provides a summary of the position as at Month 9. This shows that a significant portion of the savings programme for 2015/16 is on track but there are some risk areas. Mitigation of these risks is included in the development of services' financial recovery actions and is factored into the overall month 9 TBM position.



(Note: Achieved savings can include over-achievements)

Housing Revenue Account Performance (Appendix 2)

3.18 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 current forecast is an underspend of £0.874m and more details are provided in Appendix 2.

Dedicated Schools Grant Performance (Appendix 2)

3.19 The Dedicated Schools Grant (DSG) is a ring-fenced grant which can only be used to fund expenditure on the schools budget. The schools budget includes elements for a range of services provided on an authority-wide basis including Early Years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school. The current forecast is an underspend of £0.108m and more details are provided in Appendix 2. Under the Schools Finance Regulations any underspend must be carried forward to support the schools budget in future years.

NHS Managed S75 Partnership Performance (Appendix 2)

3.20 The NHS Trust-managed Section 75 Services represent those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Foundation Trust (SPFT) and Sussex Community NHS Trust (SCT) and include health and social care

services for Adult Mental Health, Older People Mental Health, Substance Misuse, AIDS/HIV, Intermediate Care and Community Equipment.

- 3.21 These partnerships are subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements can result in financial implications for the council should a partnership be underspent or overspent at year-end and hence the performance of the partnerships is reported as a memorandum item under TBM throughout the year.

Forecast Variance Month 7 £'000	Section 75	2015/16 Budget Month 9 £'000	Forecast Outturn Month9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
542	NHS Trust managed S75 Services	11,488	11,977	489	4.3%

Capital Programme Performance and Changes

- 3.22 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall overspend of £0.569m forecast at this stage.

Forecast Variance Month 7 £'000	Capital Budgets	2015/16 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Children's Services	13,498	13,498	0	0.0%
0	Adult Services	474	474	0	0.0%
572	Environment, Development & Housing - General Fund	44,319	44,687	368	0.8%
494	Environment, Development & Housing - HRA	32,891	33,111	220	0.7%
(19)	Assistant Chief Executive	3,103	3,084	(19)	-0.6%
0	Public Health	376	376	0	0.0%
0	Finance, Resources & Law	16,867	16,867	0	0.0%
0	Corporate Services	25	25	0	0.0%
1,047	Total Capital	111,553	112,123	569	0.5%

- 3.23 Appendix 4 shows the changes to the budget and Appendix 5 provides details of new schemes for 2015/16 to be added to the capital programme which are included in the budget figures above. Policy & Resources Committee's approval for these changes is required under the Council's Financial Regulations. The following table shows the movement in the capital budget since approval in the Month 7 report to the December Policy & Resources Committee.

Capital Budget Summary	2015/16 Budget £'000
Approved budget as at Month 7	128,258
Reported at other Policy & Resources committees since Month 7	509
New schemes to be approved in this report (see Appendix 5)	670
Variations (to be approved – see Appendix 4)	3,650
Reprofiles (to be approved - see Appendix 4)	(20,684)
Slippage (to be approved – see Appendix 4)	(850)
Total Capital Budget	111,553

3.24 Appendix 4 also details any slippage into next year. In total, project managers have forecast that £0.850m of the capital budget may slip into the next financial year and this equates to 0.76% of the budget.

Implications for the Medium Term Financial Strategy (MTFS)

3.25 The council's MTFS sets out resource assumptions and projections over a longer term. It is periodically updated including a major annual update which is included in the annual revenue budget report to Policy & Resources Committee and Full Council. This section highlights any potential implications for the current MTFS arising from in-year TBM monitoring above and details any changes to financial risks together with any impact on associated risk provisions, reserves and contingencies. Details of Capital Receipts and Collection Fund performance are also given below because of their potential impact on future resources.

3.26 The council has set aside risk provisions to mitigate non-achievement of savings or other unexpected pressures should the need arise. Risk provisions currently held are shown in the Corporate Budgets section of Appendix 2. Risk provisions will continue to be held back as every effort should be made to achieve financial balance through in-year savings, mitigating actions and controls, and recovery plans.

Capital Receipts Performance

3.27 Capital receipts are used to support the capital programme. 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 and projects such as the Strategic Investment Fund, Asset Management Fund, ICT Fund and the Workstyles VFM projects. The planned profile of capital receipts for 2015/16, as at Month 9, is £9.770m against which there have been receipts of £9.287m in relation to the disposal of Eastbrook Farm allotments, the Buckingham Road sites, 2 Boundary Road, the appropriation of the Whitehawk Library site, the disposal of a number of minor lease extensions at the Marina and the repayment of improvement grants.

3.28 The forecast for the 'right to buy sales' in 2015/16 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 50 homes will be sold with a maximum useable receipt of £0.480m to fund the corporate capital programme and net retained receipt of £2.387m

available to re-invest in replacement homes. To date the estimated number of homes sold has been exceeded and 60 homes have been sold in 2015/16.

- 3.29 A total of £2.275m receipts from the housing Local Delivery Vehicle (LDV) have been received to date. A further tranche of circa £1.400m is expected toward the end of the financial year. The net receipts are ringfenced to support investment in council owned homes.

Collection Fund Performance

- 3.30 The collection fund is a separate account for transactions in relation to council tax and business rates. Any deficit or surplus forecast on the collection fund relating to council tax is distributed between the council, Sussex Police and East Sussex Fire Authority whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.
- 3.31 The council tax outturn for 2014/15 showed an improved position which means there is a brought forward collection fund surplus in 2015/16 of £0.410m, of which the council's share is £0.350m. The in-year monitoring for 2015/16 indicates a surplus of £1.890m, of which the council's share is £1.614m. The main factors within this surplus are lower than forecast Council Tax Reduction (CTR) discounts as a result of reducing caseload (£0.900m), lower student exemptions awards (£0.300m), higher than forecast property numbers (£0.500m), band increases (£0.300m), reduction in bad debt provision £0.100m and higher than forecast discounts of £0.200m for Severely Mentally Impaired (SMI).
- 3.32 The business rates outturn for 2014/15 showed an improved position of £0.130m for the council. The in-year monitoring for 2015/16 indicates a deficit of £2.007m of which the council's 49% share is £0.983m. This change is mainly caused by the recognition of a greater impact of appeals than previously estimated which requires greater provisions for backdated appeals as well as reducing the anticipated resource from business rates in future years. For example, there has been a national change to the rating of purpose built doctors' surgeries which has reduced rateable value on average by 65%, resulting in significant reductions in the ongoing business rates as well as a one-off payment for the backdated impact. Another example is in relation to a Valuation Office amendment, outside of the appeals scheme, which significantly reduced the rateable value of a property by changing the use from 'shop and premises' to 'retail warehouse and premises' and as this was backdated it reduced the ongoing liability and resulted in a one-off refund.
- 3.33 In addition to these gross liability changes there are also higher than anticipated awards of small business rates relief, mandatory charity relief and empty reliefs. Business rates still remain a difficult area to predict with certainty and the actual impact from the large number of appeals raised at year-end will not be known until all appeals have been actioned.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS:

- 4.1 The forecast outturn position on council controlled budgets is an overspend of £0.452m. In addition, the council's share of the forecast overspend on NHS managed Section 75 services is £0.489m. Any overspend at the year end, after risk provisions, would 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. Any underspend would release one off resources that can be used to aid budget planning for 2016/17.

5 COMMUNITY ENGAGEMENT AND CONSULTATION

- 5.1 No specific consultation has been undertaken in relation to this report.

6 CONCLUSION AND COMMENTS OF THE DIRECTOR OF FINANCE (S151 OFFICER)

- 6.1 The position at Month 9 shows improvement over Month 7 and puts the authority within sight of achieving financial balance over the remaining 3 months. However, there are still underlying pressures and significant risk areas within the forecast and therefore strict recruitment and financial controls must remain in place to maintain a strong grip on financial performance. This will also maintain the focus on containing costs and demands to avoid putting the revenue budget under immediate pressure at the start of the next financial year.

7 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The financial implications are covered in the main body of the report.

Finance Officer Consulted: Jeff Coates

Date: 29/01/2016

Legal Implications:

- 7.2 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: Elizabeth Culbert

Date: 21/01/2016

Equalities Implications:

- 7.3 There are no direct equalities implications arising from this report.

Sustainability Implications:

- 7.4 There are no direct sustainability implications arising from this report.

Risk and Opportunity Management Implications:

- 7.5 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 recommended minimum working balance of £9.000m to mitigate these risks. The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

SUPPORTING DOCUMENTATION

Appendices:

1. Revenue Budget – Summary Movement
2. Revenue Budget Performance
3. Summary of 2015/16 Savings Progress
4. Capital Programme Performance
5. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.